

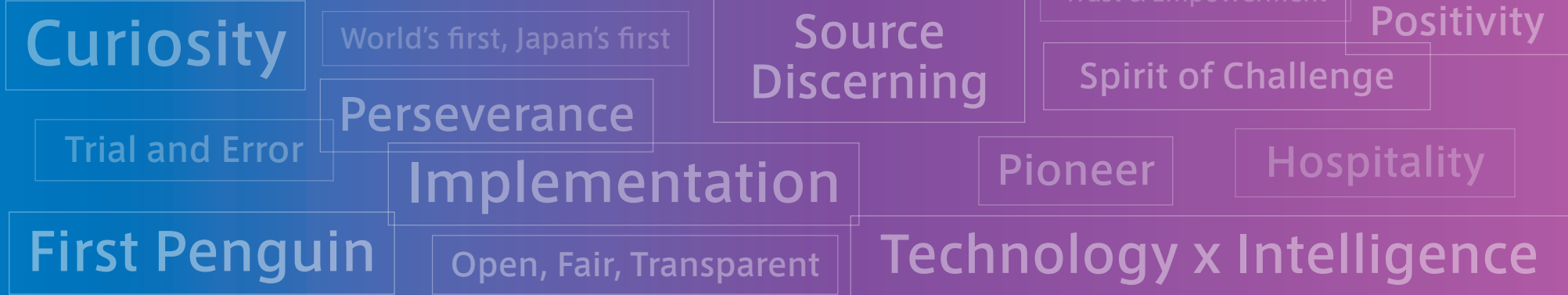
**MACNICA**

Integrated Report  
MACNICA HOLDINGS, Inc.



**LIMITLESS 2023**

A passion handed down since the company's founding.  
It has become our DNA, passed on as an enduring value.



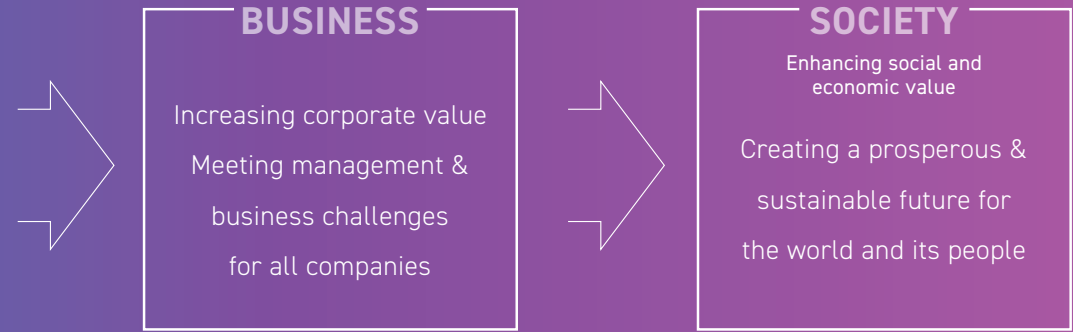
# LIMITLESS PASSION

"Everything begins and ends with people."  
Ideas cherished by Macnica's founder, Haruki Kamiyama, live on in our corporate culture today.  
Combining Technology x Intelligence, to create a better future.  
Our passion and curiosity are limitless.

Macnica's Purpose

Combining cutting-edge Technology x Intelligence, improving business value for clients and partners, creating economic and social value at a higher level

**TECHNOLOGY** × **INTELLIGENCE**



- Introduction / Purpose
- CEO MESSAGE
- MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?
- VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy
- DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change
- FACTS & FIGURES

View by Keyword

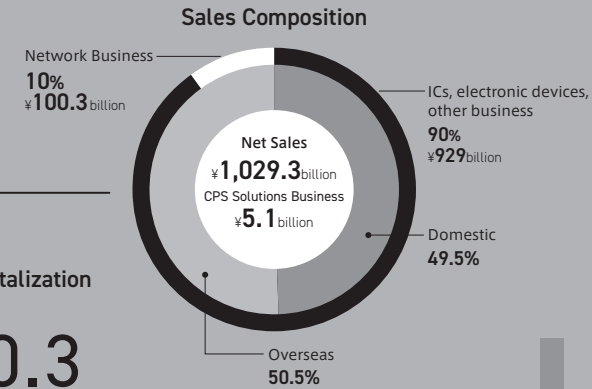
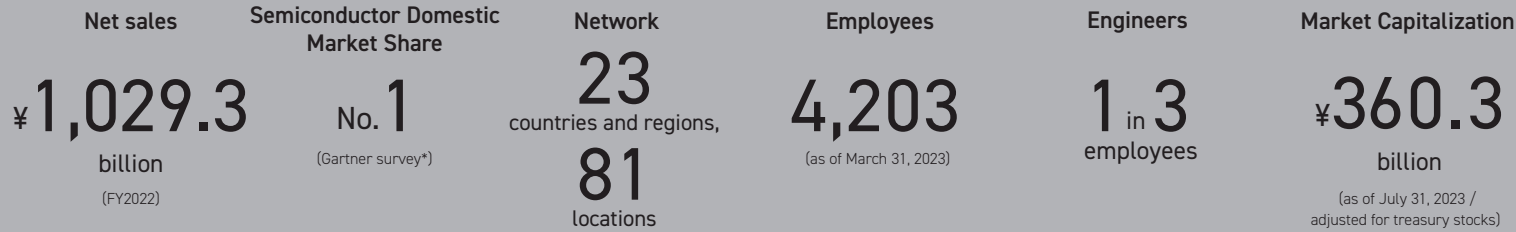
Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# From technology trading company to pioneer of the future Continuously changing ahead of the times

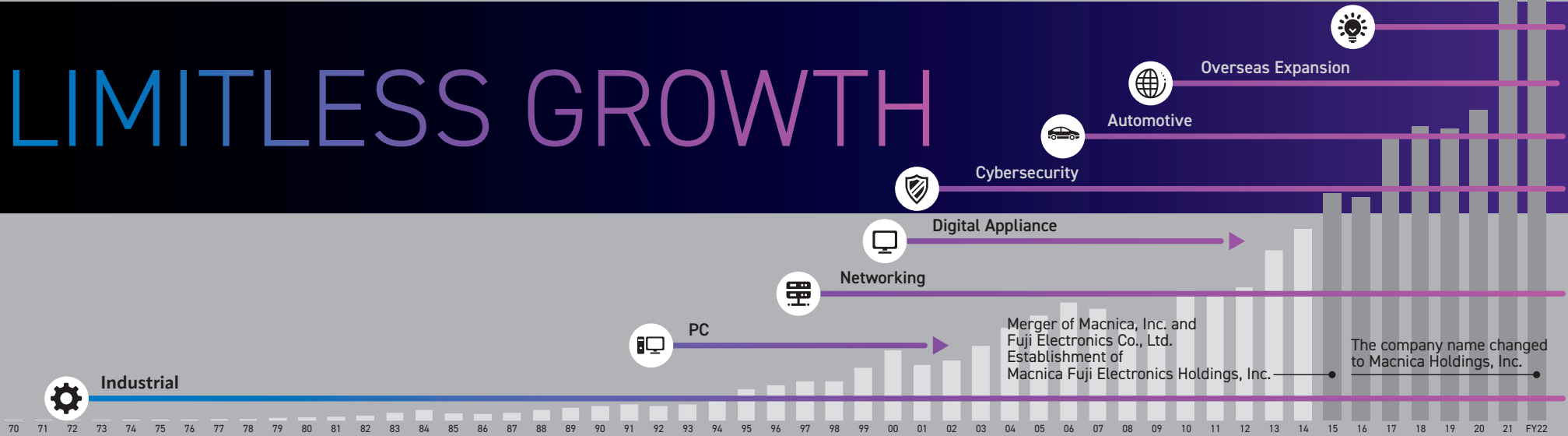
## AT A GLANCE



\* Gartner Market Share: Semiconductor Distributors, Worldwide, 2022, Masatsune Yamaji, March 10, 2023, Revenue Basis (Disclaimer on page 36)

**CPS Solutions**  
Smart Manufacturing  
Smart City/Mobility

# LIMITLESS GROWTH



1972 Macnica Begins > World-leading technologies for Japanese manufacturing > Breaking down walls between Japan and overseas > Quality Support for ICs, IT and software > Combining latest technologies > Changing to anticipate new needs >

To meet customers' needs, we started from Silicon Valley, gathering technology and intelligence from around the world. Languages, cultures, and business practices differ from Japan's. Our role? To enhance customer business with our ability to coordinate and bridge these differences.

Discerning, with an ability to arrange, Macnica focused on technical support and evolving technologies. Leading the market, we had introduced a new style of business, a Technology Trading Company.

Evolving from a Technology Trading Company to a Services & Solutions Company, proposing value through combining technologies. An enhanced global presence, particularly in Asia, elevating ourselves from Japan Macnica to Global Macnica.

- Introduction / Purpose
- CEO MESSAGE
- MACNICA, THE FIRST PENGUIN —LIMITLESS PASSION  
Why is Macnica a Pioneer?
- VISION & STRATEGY —LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy
- DISCIPLINE —LIMITLESS RESILIENCE  
Responding to Change
- FACTS & FIGURES

**View by Keyword**

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

- Related Information**
- Macnica Holdings, Inc. IR Website
  - IR Library
  - Macnica, Inc. Website



# PURPOSE

Macnica, which began as a trading company specializing in semiconductors and transformed into a Technology Trading Company, has taken on the challenge of transforming into a Services & Solutions Company.

“What is Macnica, and what does it stand for?” In 2022, our 50th anniversary year, we went back to the beginning to find and redefine Macnica’s purpose.

Envisioning the future, creating the “Now”. From the proposals of members through many management meetings, the unwavering passion is condensed here. Employees align this purpose with their own purpose in life, continuously evolving as individuals, and as members within the team.

## Leading in an ever-changing world, we seek technology and intelligence beyond the cutting-edge, while envisioning the future and creating the “Now.”

We at Macnica, in this era of unpredictability, stand at the forefront of environmental and social change, anticipating, without fear of failure. Excited, pioneering First Penguins, infused with the spirit of challenge.

Beyond the cutting-edge, no one yet knows, technologies around the world, evolving exponentially: **Technology and Intelligence.** Sowing seeds continuously under our feet: nurture, gather, and hold them.

A vision of the future, prosperous, secure, and sustainable, combining Technology and Intelligence with professionals around the world. **Implementing** precision solutions, creating the “Now”, We are committed, we will create new value, with passion!

Be bright, fun, and vibrant!

Together, we’ll aim for a prosperous future, full of smiles. Your partner, with endless success.

- Introduction / Purpose
- CEO MESSAGE
- MACNICA, THE FIRST PENGUIN —LIMITLESS PASSION  
Why is Macnica a Pioneer?
- VISION & STRATEGY —LIMITLESS GROWTH  
Macnica’s Medium- to Long-Term Strategy
- DISCIPLINE —LIMITLESS RESILIENCE  
Responding to Change
- FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



# CONTENTS

## Editorial Policy

Macnica has published its first integrated report, LIMITLESS 2023, to help stakeholders better understand the company and strengthen dialogue. The report explains the value we create and the vision we aspire to, the strengths of our people and teams, and describes in detail the market environment and strategies of our businesses. Throughout, we endeavored to express Macnica's uniqueness. In creating the framework, we referred to International Integrated Reporting Framework proposed by the IFRS Foundation. We hope that through this report, you will feel our corporate culture and growth potential.

### Reporting Period

Fiscal Year ended March 2023 (April 1, 2022 - March 31, 2023)

\* Some contents also include activities before March 2022 and after April 2023.

### Scope of Reporting

Macnica Holdings, Inc. TSE Prime 3132 and its consolidated subsidiaries (the "Macnica Group")

\* In this report, unless specified otherwise, the above organization and its subsidiaries are collectively referred to as Macnica.

### Outlook for the Future

This report contains forward-looking statements regarding the business performance of the company and its group companies. Such statements are not guarantees of future performance and involve risks and uncertainties. Future business performance may differ from targets due to changes in the business environment and other factors.

- 01 Introduction / Purpose
- 04 Table of Contents & Editorial Policy

## 05 CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- 09 Macnica's Value Creation Process
- 10 Macnica's Capabilities
- 16 EPISODE: Practicing the Realization Cycle
- 19 Macnica's Organization & Culture: Creating Strong Individuals  
Message from Honorary Chairman Kamiyama
- 20 Core Values
- 21 Human Resource Management
- 24 Diversity, Equity & Inclusion Work Style Innovation
- 25 OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

## FACTS & FIGURES

- 72 Key Consolidated Financial Summary [8 years]
- 73 Key Non-Financial Summary [4 years]
- 74 Glossary
- 75 Corporate Information

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- 27 Long-Term Management Concept: Vision 2030
- 29 Materiality / Policy on Sustainability
- 32 Medium-Term Management Plan: FY2022-24
- 34 Financial Highlights
- 35 Summary by Business
- 36 Semiconductor Business
- 39 Network Business
- 42 CPS Solutions Business
- 45 IT & DX Strategy
- 48 Financial Strategy

### About the Title and Cover

Which words symbolize Macnica, as it continues to challenge "beyond the cutting edge," pursuing unlimited growth? We asked the company AI, and the answer was "LIMITLESS." A consensus emerged, as it expressed "the people and teams relentlessly seeking growth opportunities and the exponential possibility of cutting-edge technology." When the Management Plan Presentation was held in May, 2023 for the first time in three years following the COVID-19 pandemic, 2,450 employees, from all domestic companies and major domestic and overseas group companies, gathered to share their strategies and boundless passion. It was decided at that meeting to endow the integrated report, which conveys Macnica's "Now", with a title and cover that expresses the idea of LIMITLESS.

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- 51 Strengthening Governance and Risk Management
- 52 BOARD MEMBERS
- 55 Message from Chairman of the Board
- 57 Messages from Outside Directors
- 59 Corporate Governance
- 63 Risk Management and Compliance
- 65 Responses to ESG-Related Risks
- 68 Strengthening Dialogue with Stakeholders
- 68 Social Contribution Activities
- 69 Enhancing Corporate Value through Dialogue
- 70 VOICE: On Issuing the Integrated Report

## How to use the INDEX


- This PDF includes interactive features.
- Navigation buttons are provided on each page for related content in this report, and for related company web contents.

▶ P.00

Go to the relevant page of this report.








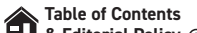
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Go to related web content.




 Glossary

Please refer to the glossary provided at the end.

### View by Keyword

 Value Creation	 Human Capital
 Diversity & Inclusion	 ESG
 Shareholder Returns	 Dialogue with Investors (Engagement)
 Glossary	 Table of Contents & Editorial Policy

### Related Information

-  Macnica Holdings, Inc. IR Website
-  IR Library
-  Macnica, Inc. Website

# CEO MESSAGE

## Kazumasa Hara

Representative Director and President

Joined Macnica in 1995. In 2011, appointed President of the Semiconductor Company. At the same time, he established an entity focusing on the automotive sector, concurrently serving as General Manager of the Automotive Sales Division. In 2018, appointed General Manager of Strategic Innovation Business Group, promoting the launch of new businesses. In 2019, appointed Representative Director and President of Macnica Holdings, Inc.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

#### FACTS & FIGURES

### View by Keyword

<a href="#">Value Creation</a>	<a href="#">Human Capital</a>
<a href="#">Diversity &amp; Inclusion</a>	<a href="#">ESG</a>
<a href="#">Shareholder Returns</a>	<a href="#">Dialogue with Investors (Engagement)</a>
<a href="#">Glossary</a>	<a href="#">Table of Contents &amp; Editorial Policy</a>

### Related Information

- [Macnica Holdings, Inc. IR Website](#)
- [IR Library](#)
- [Macnica, Inc. Website](#)



# CEO MESSAGE

“Envisioning the future, to create value in the present, Macnica must never stop challenging.”

**The Power of People and the Ability to Discern, this is the source of Macnica’s growth.**

If you asked me what was Macnica’s greatest strength, I would answer without hesitation: its People. Our greatest strength is each and every one of you, our members, with high aspirations, strong passions, and a broad and deep knowledge of cutting-edge technologies. The positive and energetic corporate culture you’ve created, open and fair, is our greatest asset. Macnica believes in the potential of youthful people, encouraging them to challenge without fear of failure, the driving force of our growth. This is the reason why, 50 years after its founding, Macnica continues to be a company full of challenger spirit.

I’m part of the third generation following the founder, Honorary Chairman Kamiyama, and former President, Chairman Nakashima. As a young man, I took pride in constantly taking on challenges, despite being younger and less experienced in the energetic environment of my seniors. Looking back, I think there may have been smarter ways of doing things. I never regarded

an obstacle as a failure, and when I faced them I found they were an opportunity to acquire new insights and ways of thinking.

From around 2000, we took the initiative to cultivate business with major global semiconductor companies, believing it was essential to expanding our sales. Despite the initial challenge of gaining trust in our technical capabilities, we gradually built rapport through repeated transactions and by constantly providing the chances to understand our values, which allowed us to establish the long-term relationships of trust that continue to this day.

Based on these experiences, I was appointed President in April 2019, allowing me to reevaluate Manica’s capabilities from the ground up. Our semiconductor business involves various stakeholders, including semiconductor manufacturers as suppliers, manufacturers of industrial equipment, electronics, and automotive components, IT vendors and system integrators as customers, governmental and local authorities as implementation collaborators, and various other partners. Macnica’s work involves co-creating with stakeholders, and accurately visioning the future to create value today. Identifying our role in these projects, fulfilling it, and guiding maximized ben-

efits to all parties, including ourselves. In this “ecosystem,” we are adept at adjusting our positioning, sometimes leading and other times providing support, according to the situation.

Macnica has other distinctive strengths as reflected in our Purpose, established last year: Discerning while exploring Technology x Intelligence that lie beyond the cutting edge. Imagining and exploring technologies that will be needed in the society of the future, discerning the value of these technologies today, implementing with tomorrows stakeholders gathering in our ecosystem at the present. As we envision the scale of future business, we are accumulating present success through small repetition and steady implementation. Throughout these processes and flows, our ability to discern and take on challenges grows.

However, adopting future technologies, and

venturing into uncharted territories inevitably leads to unintended challenges. In such situations, success isn’t solely dependent on technical expertise. Passion to create something new, understanding and empathizing with challenges faced by others, the ability to collaborate, and a spirit of hospitality that responds well to the demands of suppliers and customers contribute significantly to building businesses. Macnica’s engineers, mostly on-site with customers, possess particularly strong technical and support capabilities, especially during implementation. Moreover, each member of Macnica’s team excels in assessing market realities and the essential nature of things, flexibly crafting rules based on circumstances, and swiftly moving towards goals. Undoubtedly, Macnica’s strength lies in the power of its “people.”



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica’s Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



**Creating new value,  
to a Services & Solutions Company**

Our vision for 2030 is to be a “Services & Solutions Company that continuously creates new value by connecting Technology x Intelligence from around the world, to realize a prosperous future society.” While our semiconductor and network businesses, which have driven our growth thus far, involve offering semiconductors, systems, and software for customers to provide to end-users or utilize within their own businesses, the shift from Monozukuri (producing things) to Kotozukuri (providing experiences) necessitates our evolution into a company that generates value beyond these offerings. To achieve this, we are evolving our traditional high value-added distribution model, establishing a Services & Solutions model based on CPS solutions that integrates cyberspace (Cyber) and the real world (Physical) at a higher level, and transforming into a corporate group that creates higher added value.

The semiconductor business, the driver of our growth, remains a growing market itself, and we forecast a CAGR of 3-5% until 2030, with ongoing growth potential. For the network busi-

ness, we expect further expansion not only domestically but also globally, with increasing demand for new services like security consulting. We cover not only the Japanese market but India, Australia, and Southeast Asia. In March 2023, we agreed to acquire CyberKnight, a cybersecurity company in the UAE (United Arab Emirates). This move, characterized by its rapid pace, spanning from feasibility study to contract signing in about half a year, aims to stay ahead of market growth. The seven Middle Eastern countries covered by this acquisition will become part of our new markets, and we are considering expansion into Africa while considering various external factors.

The market for CPS solutions, a new area based on our existing businesses, is expanding by the day. Currently, we are targeting six business themes related to materiality, sowing seeds and nurturing new business ideas.

**Realizing Dreams,  
Creating a Prosperous Future,  
A Mission for Employees and Society**

The first significant business opportunity is the increasing demand for DX due to digitalization.

Macnica possesses the capability to provide solutions for various industries, including DX initiatives for manufacturing factories, addressing the growing threat of cybercrime, and stabilizing global supply chains that many companies have faced during the recent COVID-19 pandemic. Leveraging our strengths to the fullest, we strive to implement solutions optimally and reliably, catering to each unique situation. By horizontally deploying successful cases, we can accumulate expertise in DX proposals and enhance our own productivity.

Furthermore, we are considering an approach that expands into the broader theme of creating a sustainable and prosperous society triggered by a single business, such as our autonomous EV bus business for municipalities. With the Level 4 autonomy approval, we have entered the year of autonomous driving. In addition to offering new value propositions for fleet management control and in-vehicle experience, we will apply the data generated by this business to various urban development projects. Looking beyond, we envision these efforts extending to the six business themes we pursue with CPS solutions, such as Circular Economy and Digital Healthcare.

This new approach, akin to Kotozukuri, involves Services & Solutions models. Venturing into this realm also means providing new growth opportunities for each employee, the source of Macnica's competitive strength, the Power of People.

As organizations mature and grow in scale, opportunities for individual challenges naturally become fewer. I believe that it is my mission to present a dynamic vision and new goals in response to the reality that such opportunities are decreasing compared to when I was a young person who took on many exhilarating challenges. With a strong desire to offer interesting work and encourage employees to take on challenges



with high aspirations, coupled with a sense of urgency that Macnica's future is at stake if we don't keep challenging, I am committed to addressing these issues and using them as twin pillars of motivation.

**Gaining Dynamic Capabilities  
and Seizing Opportunities**

The growth of a Services & Solutions model requires enhanced dynamic capabilities for adaptability to change, as well as rapidly reinforcing management resources.

Firstly, to establish the six business themes, we believe it is necessary to increase co-creation partners and build deeper trust relationships than before. While we have continued diligent sales efforts to government agencies and local governments, we know that this alone lacks speed. To address this, we will strengthen engagement with relevant external businesses and governmental organizations, as well as enhance our consultation offerings, and work towards building a denser and broader ecosystem.

**Materiality and Six Business Themes**

<p style="text-align: center;">Contributing to economic development through resolving customer issues</p> <p style="text-align: center;"><b>Business &amp; Economy</b></p> <ul style="list-style-type: none"> <li style="text-align: center;"> Smart Manufacturing</li> <li style="text-align: center;"> CPS Security</li> </ul>	<p style="text-align: center;">Establishing safe, secure and comfortable lifestyles</p> <p style="text-align: center;"><b>Life &amp; Society</b></p> <ul style="list-style-type: none"> <li style="text-align: center;"> Smart City/Mobility</li> <li style="text-align: center;"> Healthcare</li> </ul>	<p style="text-align: center;">Creating a sustainable global environment</p> <p style="text-align: center;"><b>Green &amp; Earth</b></p> <ul style="list-style-type: none"> <li style="text-align: center;"> Circular Economy</li> <li style="text-align: center;"> Foodtech &amp; Agritech</li> </ul>
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Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

Furthermore, with changing business models, we must further advance and diversify our own capabilities. Previously, in the distribution model, suppliers primarily bore the responsibility for product warranties, while we provided added value through sales, logistics, and comprehensive technical support. However, as we move forward to create our original products, services, and solutions, it is not just about ensuring their quality. We need to simultaneously acquire and enhance a wide range of capabilities, including hardware and software technology, platform-building skills, and cloud technology expertise. The greatest challenge is how we can acquire and enhance these capabilities both flexibly and swiftly.

The stable profits of our semiconductor business, which holds the No. 1 market share domestically, will be invested towards acquiring dynamic capabilities. Among the six business themes, we will focus on sowing seeds for new business creation, such as autonomous driving, encompassing smart city/smart mobility, smart manufacturing, or manufacturing industry DX, and potential products and services applicable to foodtech and agritech. We will invest in and acquire the technological know-how of cybersecurity as well, which forms the foundation for these endeavors.

The Services & Solutions model combines existing business models and presents a revenue model with the potential to improve ROE, total capital turnover, and cash flow. Our traditional semiconductor business faced challenges due to the significant gap between payments and procurement fees, leading to increased working capital as revenue grows, which can strain cash flow. Through proper inventory management and financial policies, we have significantly improved our financial condition.

However, to boost operating income margins and financial stability further, it is essential to

increase the share of the network business and the recurring ratio, thereby widening the range of stable earnings. We will focus on preserving operating income margins of existing businesses and invest 50% of the generated profit towards acquiring capabilities. By significantly nurturing the Services & Solutions model, we will strengthen the group's overall profitability and stabilize the financial foundation.

To implement capital allocations on a different scale than the traditional semiconductor business, we will require the understanding and support of our shareholders and investors. We will allocate 30% to 50% of profits for returns to our shareholders. Using a DOE that emphasizes transparency in the calculation logic, we define 4% to ensure long-term stable dividends and increase corporate value.

In May 2023, we were selected as a constituent of the JPX Prime 150 Index, and in August, the JPX-Nikkei Index 400. The Prime 150 Index evaluates equity spread, or capital efficiency, which is the difference between ROE and the cost of equity. While keeping an eye on further improving our PBR, we will strive to increase corporate value to meet the high expectations of shareholders and investors.

**Driving Rapid Growth with a Results-Oriented DX Strategy**

The pursuit of rapid growth, along with the acquisition of new capabilities, requires a reevaluation of our current management resources. To improve productivity and resource reallocation, we are accelerating the introduction of DX to strengthen our system infrastructure. In 2019, we began to work on our core systems, and by 2022, all systems (ERP, SCM, CRM, BI...) were operational, with data integration between sys-

tems, enabling the visualization of semiconductor business processes and clear tracking of KPI progress.

We are aiming for further optimization and efficiency throughout the semiconductor supply chain. This will increase flexibility in human resource allocation, and the transfer of motivated young talent to more challenging roles and projects. Over the past three years, the operational efficiency of the semiconductor business has grown approximately threefold, and semiconductor sales per employee have increased by around 2 times. Looking ahead, we will focus on improving productivity and strategic human resource allocation.

**Competitive Advantage of a Strong Team Realizing a Solid Vision of the Future**

We have a broad vision for the Services & Solutions Company as set forth in Vision 2030. We have clearly charted the path of expanding Services & Solutions through the virtuous growth cycles of our semiconductor and network businesses.

Our six business themes are directly related to solving social issues. Balancing the pursuit of

corporate profit with social contribution, or CSV (Creating Shared Value), has become increasingly important. In future, we are confident that Macnica's expertise in leading technologies and its ability to swiftly implement them in society will make a significant contribution to solving global issues, and that Macnica will continue to demonstrate its high competitiveness.

The Macnica Group, 81 locations across 23 countries and regions worldwide, fosters a culture that values individual performance and character, regardless of gender, age, nationality, or background. To expand business swiftly and globally in the future, respecting the rich individuality of employees and group companies, sharing our purpose with everyone, and collaborating closely are essential. I believe my chief role is to provide opportunities for communication and co-creation.

Macnica will continue to be at the forefront of change, valuing co-creation with all stakeholders and promising to create value in the "Now" while envisioning the "future." We invite you to envision the future with us.

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At Macnica, where communication with each and every employee is valued above all else, the annual "Management Plan Presentation" has been held every year since the company's founding. The event brings together all employees and major domestic and overseas group companies to share management policies and growth strategies.

(Photo: May 2023)



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# MACNICA, THE FIRST PENGUIN\* — LIMITLESS PASSION

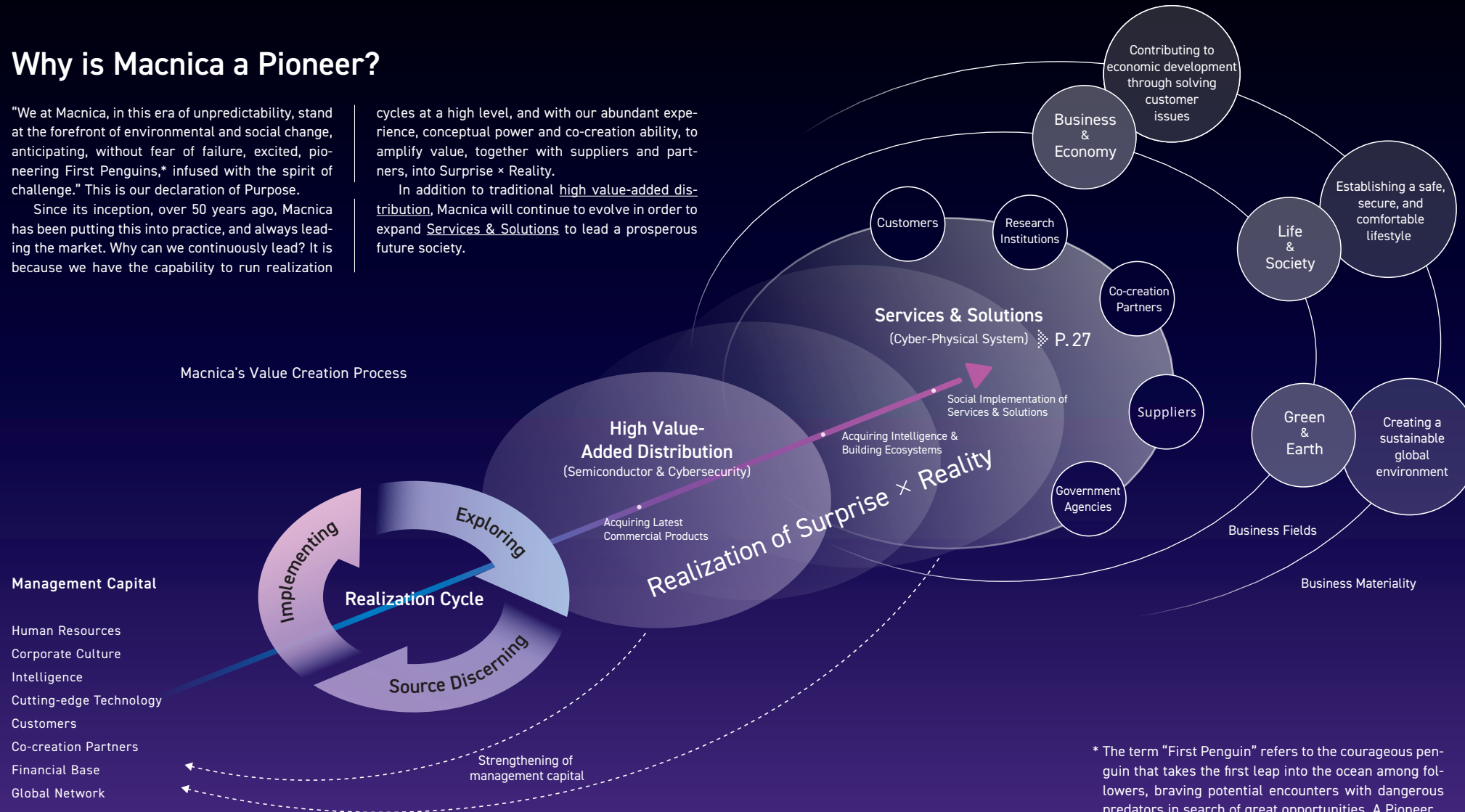
## Why is Macnica a Pioneer?

"We at Macnica, in this era of unpredictability, stand at the forefront of environmental and social change, anticipating, without fear of failure, excited, pioneering First Penguins,\* infused with the spirit of challenge." This is our declaration of Purpose.

Since its inception, over 50 years ago, Macnica has been putting this into practice, and always leading the market. Why can we continuously lead? It is because we have the capability to run realization

cycles at a high level, and with our abundant experience, conceptual power and co-creation ability, to amplify value, together with suppliers and partners, into Surprise × Reality.

In addition to traditional high value-added distribution, Macnica will continue to evolve in order to expand Services & Solutions to lead a prosperous future society.



\* The term "First Penguin" refers to the courageous penguin that takes the first leap into the ocean among followers, braving potential encounters with dangerous predators in search of great opportunities. A Pioneer.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture:  
Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

### VISION & STRATEGY —LIMITLESS GROWTH

Macnica's Medium- to Long-Term Strategy

### DISCIPLINE —LIMITLESS RESILIENCE Responding to Change

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

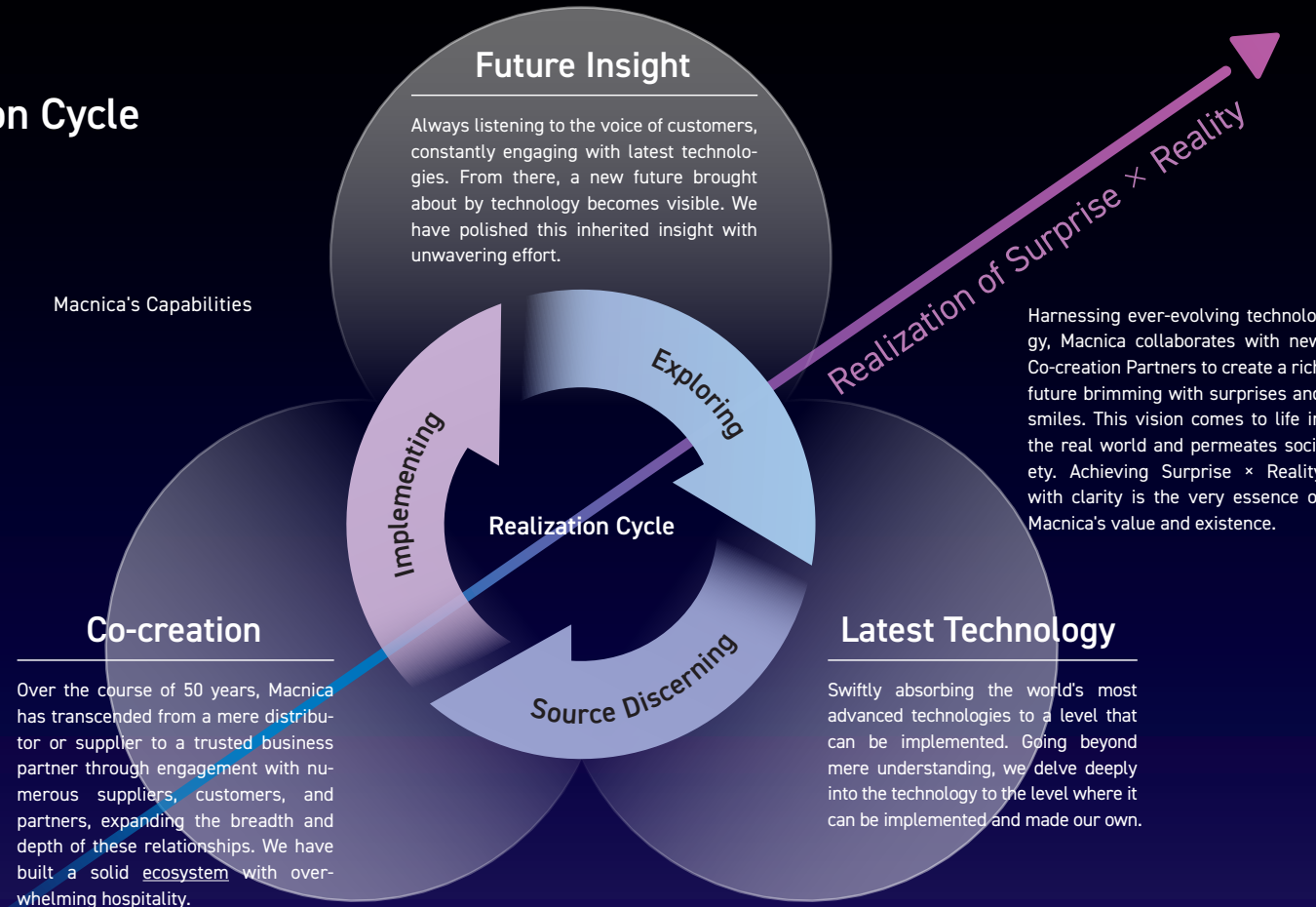


# Exploration, Discernment and Implementation in the Realization Cycle Creating Surprise × Reality

Since its foundation, Macnica has focused on strong individuals and teams, lightning speed, and a human network of people worldwide, continuously refining our technological capabilities, future vision, and co-creation capabilities.

Based on these three strengths, we execute a cycle of exploration, discernment, and implementation with speed, and guide projects to success by steadily accumulating small achievements, the core of our business activity.

We create a world full of Surprise × Reality, something no one else has achieved. The ability to shape this concretely through the Realization Cycle is a true Macnica capability and the source of value creation.



**Competitive Edge**

**01 Strong Individuals and Teams**

▶ P. 11

×

**02 Speed**

▶ P. 12

×

**03 Human Network**

▶ P. 14

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture:  
Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# 01

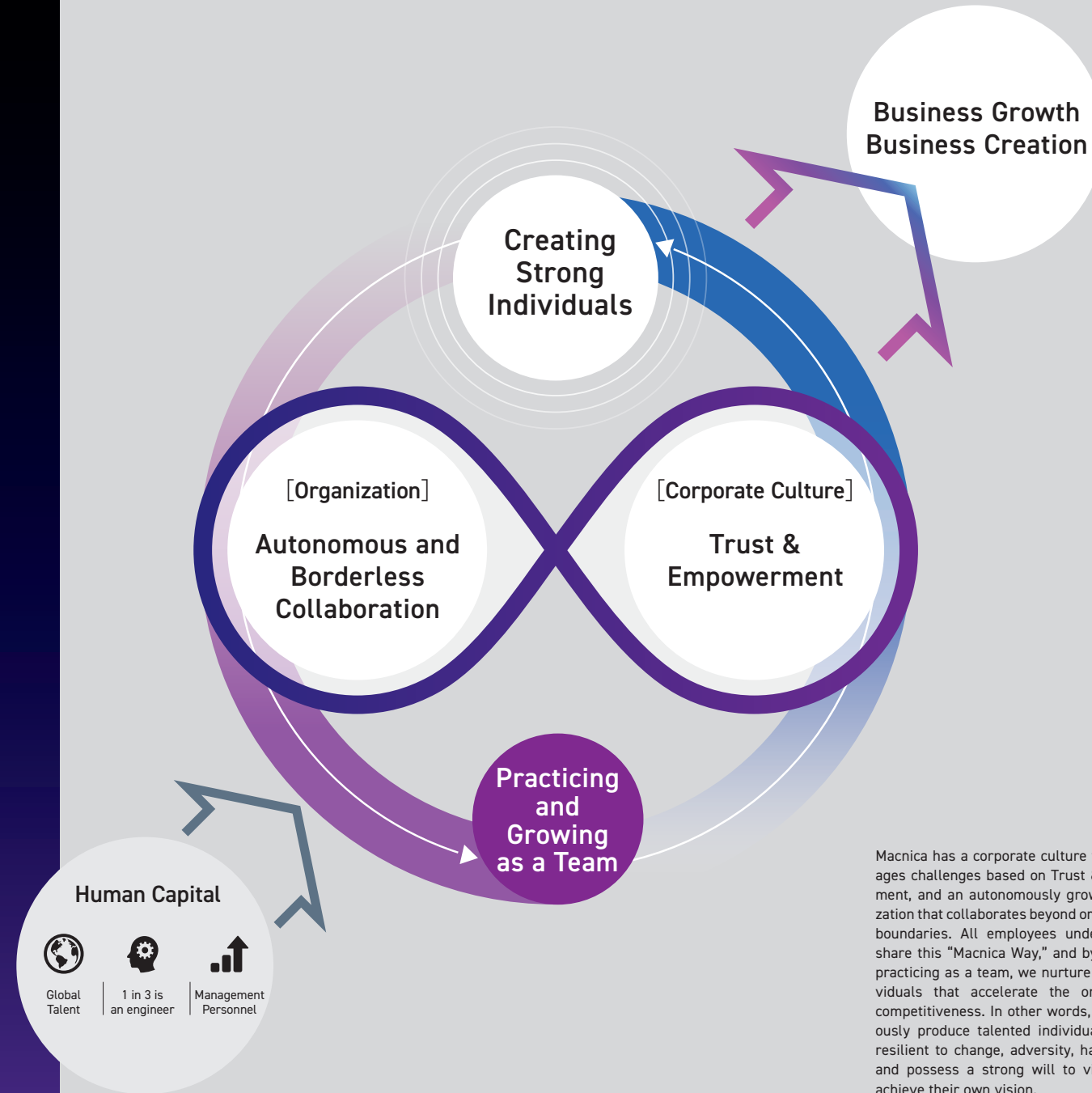
## Strong Individuals and Teams

### Organization & Culture Nurtures Strong Individuals, Teams Accelerate Company Growth

Macnica's greatest capital and strongest asset is people. To put our purpose into practice and realize our vision, we position people as a driving force to enhance competitiveness and sustain growth. We aim to maximize the value of human resources.

Acquiring exceptional talent is, of course, crucial. Within the Macnica environment and team, we continue to nurture strong individuals who will pave their own path. We regard this sustainable process of maximizing human capital as the cornerstone of our business resources. We implement various initiatives such as talent development, ensuring workplace satisfaction, building trust in our management team, and promoting understanding and the integration of diversity. We strive to remain an organization that is always fresh, youthful, and full of energy.

❖ P. 19 - Macnica's Organization & Culture: Creating Strong Individuals



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

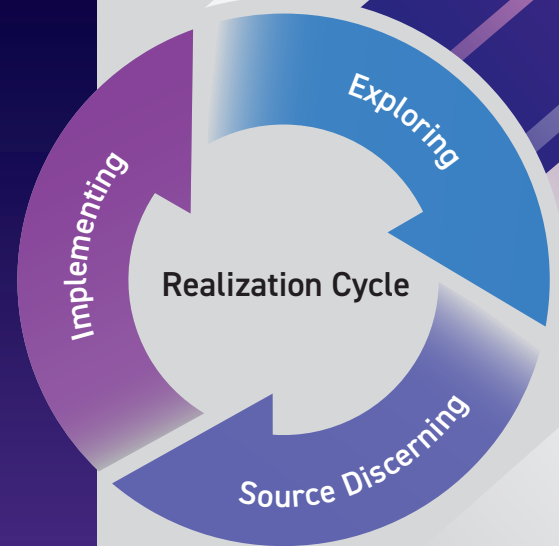
# 02 Speed

## At the Forefront of Change with Unparalleled Speed

Macnica places great emphasis on speed in every aspect of its business to catch the exponential growth of technological innovation to implement in society.

Macnica rapidly executes each phase of its Realization Cycle—exploration, discernment, and implementation. Not necessarily striving for perfection, but quickly implementing the PDCA cycle, accumulating experiential successes and failures with a tangible sense, clarifying challenges. Alternatively, we hypothesize about the future and create markets that don't exist yet. We obsessively focus on leading in every situation and visualizing outcomes, which is the policy of Macnica.

A culture that values speed is evidence of our corporate philosophy, "sowing seeds continuously under our feet," permeating each and every one of us. We are always prepared to respond sensitively to signs of change in the world. Whether in our business operations or in the growth of our people, we continue to lead the market at ground speed.



- Identification of Latest Technologies
- Business Creation
- Management Decision Making

Surprise × Reality

- Creation of the Market
- Acquiring Human Skills
- Adapting to Environmental Changes

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture:  
Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



## CASE STUDY: Pioneers of Change



### Establishing Gaussin Macnica Mobility From Concept to Establishment of a Joint Venture in 3 Months Decision Making in 2 Weeks

In April 2023, Gaussin, headquartered in Héricourt, France, with more than 100 years of history, and Macnica established Gaussin Macnica Mobility. The aim of this company is the development of autonomous and zero-emission mobility for the transportation of people and goods. The company announced the acquisition of assets from Navya, a France-based specialist in providing autonomous EV bus solutions.

Over the past 7 years, Macnica has been engaged in the autonomous driving business, expanding globally with a focus on Japan, ASEAN countries, and other parts of Asia. In this context, we have provided Navya's autonomous

buses for regular operations in various locations, leading to the decision to co-invest €10 million in a joint venture with Gaussin to appropriately take risks while considering potential risks.

In Japan, Level 4 autonomous vehicles have been approved for operation, and government subsidies are beginning to be granted to local municipalities. The market for autonomous buses is now entering a phase of significant expansion. With the goal of further accelerating their business, Macnica began considering the succession of Navya's business in December 2022. While various partnership options and capital

entry choices were available, considering the synergy effects within the business, Macnica decided to prioritize discussions with Gaussin. The initial discussions with Gaussin took place in January 2023. By mid March, plans for the post-succession business were finalized. Over about 2 months of repeated discussions between both companies, a strong mutual trust was built, leading the business leader responsible for the discussions to the belief that "Collaboration with Gaussin is the only viable option."

Meanwhile, during board meetings, there were lively and in-depth discussions within a short timeframe, considering various aspects such as business strategy, risks, and future development possibilities, related to the investment of €10 million (approximately ¥1.3 billion). Ultimately, based on Macnica's characteristic agility in risk-taking, the decision was made to approve the joint venture with Gaussin and an

investment of €10 million. Thus, within about 3 months of obtaining the opportunity to succeed Navya's assets, Gaussin Macnica Mobility emerged, marking the start of a new chapter in the mobility business.



In June 2023, Gaussin SA Chairman, CEO & Representative Director, Christophe Gaussin, and Representative Director and President of Macnica Holdings, Inc., Kazumasa Hara



### Agency Agreement with Former FireEye Entering into an Agency Agreement Two Years Prior to Product Release, Identifying the Expansion Phase and Swiftly Establishing the Structure

Our first encounter with Trellix (former FireEye) was in 2007. At that time, FireEye was a small company without its own office, operating out of a shared space provided by a venture capital firm. The FireEye's product concept, now known in the industry as a "sandbox," involved running malware in a virtual environment to observe its behavior. The individual responsible for new procurement at Macnica was greatly impressed by this concept and recognized its competitive advantage. Although FireEye's first product was not released until 2010, we had already entered into an agreement with them in 2008 and began promoting this novel concept.

After the product was released, this new concept didn't gain much traction among Japanese companies. However, a turning point came in October 2011 when a series of major targeted cyberattacks affected Japanese businesses. The FireEye's product proved effective against these targeted cyberattacks, presenting an opportunity for significant product expansion. Macnica internally reassigned personnel and formed the FireEye sales and technical teams in 2012. This effort led to the successful market penetration of this outstanding product.



### From Semiconductor Sales to Latest Executive Consultant Transforming His Role Quickly to Achieve More Essential Customer Problem-Solving

Around 2015, Macnica's Kota Abe, who had been assisting customers in solving challenges related to product development as a sales representative for US semiconductor manufacturer Lattice, took on a new Executive Consultant title to address manufacturing business management challenges, specifically enhancing productivity at a higher level.

Abe had believed that true productivity improvement required not only applying latest digital technology and know-how that had been cultivated but also the redesign of various aspects such as employee management, production processes, systems, organizations, talent development, and meeting processes beyond the intro-

duction of digital technology. He thought, "To sell experience, you must gain more experience faster than others." With this in mind, Abe felt the need for organizational support for customers and brought together data scientists, UX designers, core system engineers, marketing experts, etc. By synthesizing a wealth of knowledge, he directed and successfully led consulting projects.

As of 2023, Abe remains at the forefront as an expert in manufacturing DX, publishing specialized books.

Kota Abe  
Deputy General Manager  
Digital Industry Business Unit  
Strategic Innovation Business Group  
Macnica, Inc.



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture:  
Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# 03

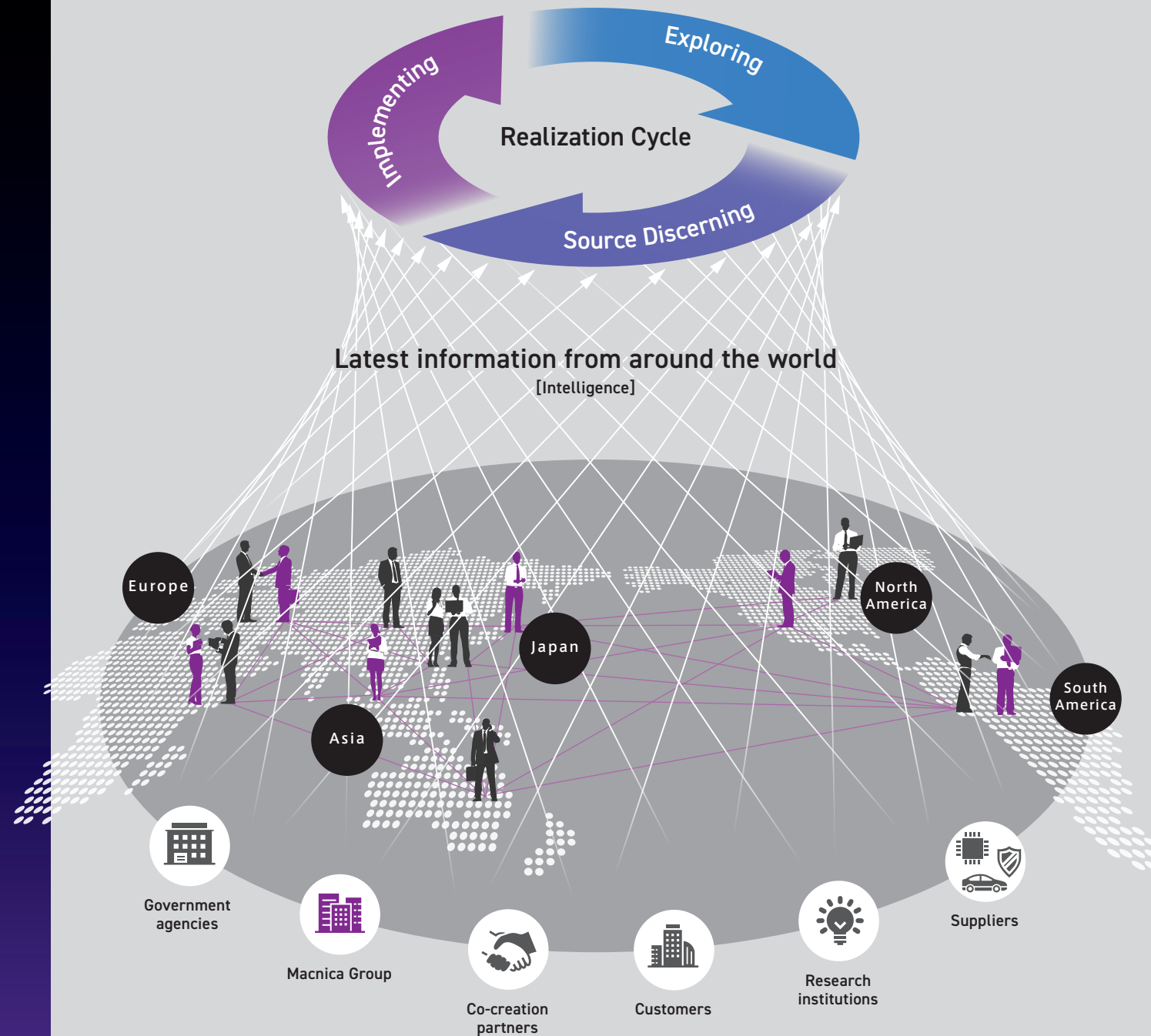
## Human Network

With Deep Bonds Cultivated with Partners since its Founding, Forming Ecosystems around the World

Macnica, as a technology trading company, has been connected with partners around the world for over 50 years since its founding, playing a role in connecting people to people. It's "people" who nurture and develop businesses. The fact that we, a non-manufacturing company, have been able to seize numerous opportunities for growth is undoubtedly because we have cherished the bonds with "people."

When we resonate with the concept of a product, share enthusiasm for new business ventures, or overcome the challenges of startups together and lead businesses to success together, we have grown while sharing the excitement and joy of our work with many partners.

Moving forward, we will value hospitality and sincerely address the needs of stakeholders to ensure that all players can benefit. We will continue to rotate the Realization Cycle globally, achieving growth throughout the entire ecosystem.



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture:  
Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

## CASE STUDY: Human Network Cultivating an Ecosystem



### Pioneering the CrowdStrike Business Overcoming Challenges Together Building a Strong Foundation of Trust

CrowdStrike is a well-known, leading US vendor in the field of endpoint security. Its founding chairman, Mr. Gerhard Watzinger, is widely recognized in the cybersecurity industry.

Macnica first collaborated with Mr. Watzinger when he was the CEO of SafeBoot in the Netherlands. SafeBoot, which developed software for encrypting PC HDD, became the supplier that prompted Macnica to enter the security business. By jointly developing a sales strategy tailored to Japanese company dynamics, they were able to capture a majority of the market share. This successful experience left a strong impression on Mr. Watzinger, and Macnica gained his significant trust.

Subsequently, SafeBoot was acquired by McAfee in the US, and Macnica expanded its product offerings through its business partner-

ship with McAfee.

While Mr. Watzinger continued to work for McAfee, in May 2012, he left McAfee to become the head of CrowdStrike. In May 2012, Macnica had another opportunity to connect with him. At that time, CrowdStrike had only a few employees, and its product was still in development. However, when Mr. Watzinger introduced the new concept of "attacker's perspective," Macnica's representatives were intuitively drawn to this concept and signed the world's first distributorship agreement with CrowdStrike.

Today, CrowdStrike has grown to become a key supplier in Macnica's security business. Encounters with exceptional solutions often arise from established relationships and become an invaluable asset that cannot be easily replicated by other companies.



### Expansion of the Autonomous Driving Business Accelerated Network Spread : Focus on Autonomous Vehicles

In 2017, at an exhibition hosted by NVIDIA, a US semiconductor manufacturer and one of Macnica's suppliers, the sight of unfamiliar autonomous vehicles marked the beginning of Macnica's entry into the autonomous driving business. These latest autonomous vehicles, equipped with advanced semiconductors, were developed by US-based AutonomouStuff. Macnica, introduced to AutonomouStuff through NVIDIA, subsequently entered into a contract to become their domestic distributor.

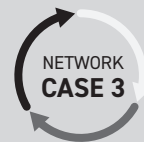
Subsequently, by supplying AutonomouStuff's vehicles to major Japanese automotive manufacturers and others, Macnica expanded

its supply chain network. Through connections with automotive manufacturers, consultations on various research topics began to come in, and Macnica's network with major ECU\*1 vendors, Tier1 vendors, and manufacturers possessing the latest technologies such as various sensors and LiDAR\*2 accelerated significantly. This progression eventually led to an encounter with France's Navya company.

**P.13**

\*1 Engine Control Unit is a microcontroller that electrically controls engine operation.

\*2 Light Detection and Ranging is a remote sensing technology using light.



### Contract with Former Mellanox Exploring New Markets through Powerful Relationships with Venture Companies

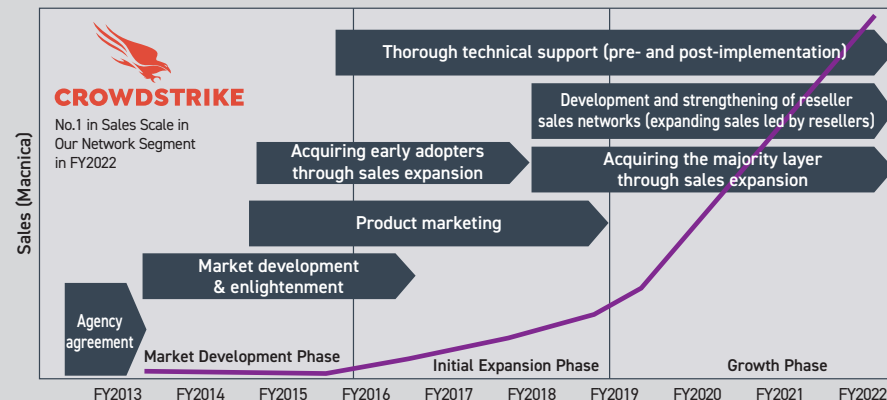
In the mid 1990s, just before the widespread adoption of personal computers, the relationship between Eyal Waldman, co-founder and head of the development department at US-based Galileo Technology, and Yuichi Yoshioka\* of Macnica began. At that time, Galileo was a startup with only about 30 engineers. Waldman actively visited Japan for technology PR and, together with Yoshioka, conducted customer visits. We encouraged him with statements like, "We still have time, so let's make one more visit" and "Let's not waste any time," continuing to sow seeds together. As a result, they shared successful experiences, such as securing adoption by major tele-

communications manufacturers. Afterward, Waldman left Galileo and founded Mellanox Technologies in the US in 1999. Around the same time, Yoshioka was stationed in San Jose to search for startup companies. Once again, he crossed paths with Waldman, and in 2000, Mellanox and Macnica signed an exclusive contract, the first of its kind in Japan. Starting with adoption in supercomputers, Mellanox products became the network infrastructure supporting large data centers. In 2020, NVIDIA acquired Mellanox, but Macnica continues to sell the former Mellanox products to this day.

\*Currently President of Macnica Finesse Company.

### Business with CrowdStrike

By anticipating and handling the leading edge and early adoption, we achieve exclusive harvesting in the growth phase.



### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

► Macnica's Value Creation Process

► Macnica's Capabilities

► EPISODE: Practicing the Realization Cycle

► Macnica's Organization & Culture:  
Creating Strong Individuals

► OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

### FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

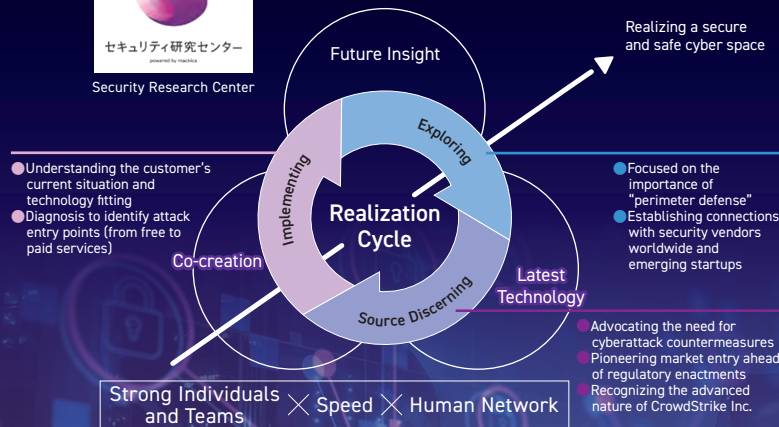
### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



# Creation of the Security Business and the Security Research Center

The growth of Macnica's cyber security business was driven by the aggressive exploration of human networks and engineers who expanded autonomously in search of cutting-edge technologies.



## Source Discerning

### Foresight Demonstrated in the Security Market

In the 1990s, as LANs became prevalent within corporations and commercial internet services commenced in Japan in 1993, servers and computers within companies began to face risks of external attacks through the internet. However, this was an era before the term "cyberattacks" even existed. The mainstream approach consisted of antivirus software to detect computer viruses and firewalls to control access from the internet to internal LANs. During that time, Macnica was involved in the distribution of network equipment and components, including firewalls.

However, in the year 2000, with the establishment of the Special Committee for the Formulation of the Personal Information Protection Act, Macnica foresaw the expansion of the security market for personal data protection. Determining to enter the security market, we focused on the significance of endpoint security. The following year, we entered into a distribution agreement with SafeBoot, a Dutch company (formerly Control Break International), which had been developing and selling software to encrypt PC HDD. When the Personal Information Protection Act came into effect in 2003, Macnica had indeed secured over half the market in HDD encryption software.

## Exploring

### Collecting and deploying latest security technology from around the world

While achieving significant accomplishments, Macnica gradually recognized the importance of security measures against increasingly sophisticated Internet-based hacking. This led to the belief that "perimeter defense," which detects and defends against external attacks at the gateway connecting the Internet to corporate networks, was crucial. Focusing on IT-advanced nations like the US and Israel, Macnica discovered exceptional products

and concepts globally, engaging in activities such as educating Japanese clients, sales, and technical support. This effort led to the recognition of Macnica's cybersecurity expertise.

In 2010, a targeted cyberattack against 20 major IT companies triggered the widespread adoption of the term "cyberattack." During this period, the Security Research Center played a pivotal role in expanding the cybersecurity business.

The Security Research Center was informally established at the time. Led by Kenzo Masamoto, who later became Center Director, security engineers were engaged in self-study and research. They not only delved into the technical knowledge of their assigned products but also learned about related topics and attack trends, establishing external connections to gather knowledge.

In 2013, the Center was formally established by a technical officer who believed that as a security network company, knowledge and connections are important assets.

## Implementing

### Creating Unique Value with Insatiable Curiosity

The uniqueness of the Security Research Center lies in its continuous evolution through connections with security vendors worldwide and exposure to latest technologies and concepts from startups.

The contract with CrowdStrike Inc. in the US in 2013 marked a significant turning point for the center. CrowdStrike emphasized the importance of understanding attackers' motives, strategies, and techniques. Echoing this concept, Macnica's Shota Shinogi independently developed a cyberattack simulation tool. This tool allowed companies worldwide to test their security from an "attacker's perspective" and has been provided free of charge, currently operating on approximately 100,000 servers globally.

Macnica's cybersecurity business achieved growth of approximately 680% over the decade from 2012. In this field, defense methods must continuously evolve to counter new attack tactics. To ensure accurate evolution, Macnica continually explores technologies and intelligence that go beyond the cutting edge.



Kenzo Masamoto  
General Manager  
Security Research Center  
Macnica, Inc.

### Pioneering the Ever-Changing World of Cybersecurity from both Attack and Defense Perspectives

As our security product portfolio expanded, we felt a crisis due to the skewed knowledge towards defensive products. Currently, the research center actively researches attack techniques from the attacker's viewpoint, incorporating evaluations of advanced overseas defensive technologies. This approach has led to the formation of a unique organization that can explore and pursue both sides of attacks and defenses.

In the future, with the advance of defensive technologies and the emergence of new technologies like AI and Web3, attacker strategies and tactics will also change. Thus, we will anticipate these changes and deepen our knowledge by researching both sides, of the attacks and the defenses.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture:  
Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

Speed

Achieving Customer Speed with Agile Business

In the 1980s, the semiconductor industry used Full Custom products like ASIC and non-customizable ASSP for specific applications. Manufacturing customers combined ASSP products while outsourcing development of core semiconductor components for their product functionality and performance, creating custom ASICs for their needs. In essence, the ability to incorporate unique semiconductors was critical in setting their products apart from those of other companies. ASICs held such high importance.

On the flip side, ASICs, being custom products, had long development timelines. This often meant that by the time a product went from concept to production, the competitive landscape for customers had changed, and their competitive advantage had eroded. Macnica recognized that the cycle of changing market demands was accelerating, and the ability to develop at the pace of those changes was becoming increasingly crucial for customers.

Around the same time, in Silicon Valley, a concept emerged for semiconductors called "PLD\* (FPGA)" that allowed customers to develop and ship their own products in a short period. PLD stands for Programmable Logic Device and was a product that allowed users, the customers themselves, to define and modify circuit designs, which had previously been the sole domain of semiconductor manufacturers. While there were some limitations on development flexibility, it was significantly easier and faster to develop with PLD compared to traditional ASIC development. Macnica had an intuitive sense that this was the future mainstream of semiconductors.

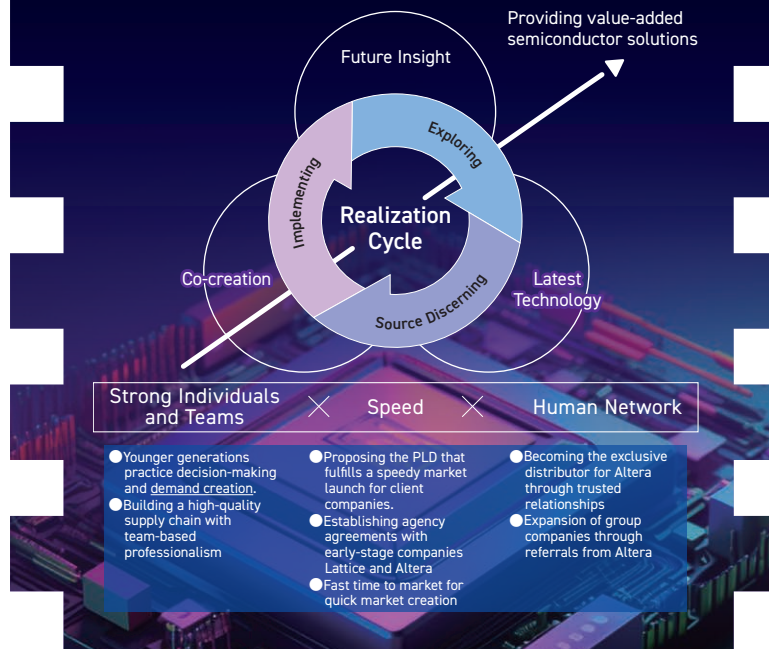
In 1985, Macnica signed a distributorship agreement with US-based Lattice, and the following year, signed a distributorship agreement with US-based Altera (now Intel Corporation). Both were founded in 1983 and were young companies.

\* Generally, highly integrated products are referred to as FPGA, but for consistency with our financial documents, we classify them as PLD.

## Leveraging Competitive Advantage Macnica Altima Company

Macnica's speed, strong individuals and teams, and human network drove the expansion of the market for customizable semiconductor PLDs and pushed it into the mainstream.

They laid the foundation of a technology trading company and grew into a world-class high value-added distributor.



Strong Individuals and Teams

Making Dynamic Decisions and Excelling as a Team

Macnica started selling PLDs. However, initially, this concept did not easily catch on in Japan. The main reason was that the price of PLDs was over ten times higher than that of traditional ASICs. Nevertheless, believing in the significant value that PLDs could bring, Macnica embarked on a deter-

mined campaign of awareness and promotion through various means, gradually expanding the PLD market within the country.

Seeing the rapid penetration of PLDs into the market, Macnica predicted an explosive expansion when entering the proliferation phase. To enable flexible management, we established a wholly-owned subsidiary, Altima Corporation (now Macnica Altima Company), to exclusively deal with Altera's PLDs. This new

company was launched in 1991 with a total of 15 employees.

Altima's strategy for expanding PLD sales was "Fast Time to Market." Leveraging the feature of programmability, they promoted the unique value proposition: develop the desired functionality in a short time and quickly introduce it to the market. To enhance the feasibility of this value proposition, Macnica not only sold PLD products but also rapidly introduced measures to reduce switching costs for customers, such as selling development tools, providing development support, and organizing technical training for PLD development engineers.

These efforts bore fruit, as the market experienced rapid growth, and PLD became the flagship product in Macnica's semiconductor business. Altima's strong technical support team laid the foundations for what Macnica would later be referred to as a Technology Trading Company. Additionally, to anticipate further proliferation, Macnica established programming centers for writing customer development logic into PLDs for mass production and opened a technical knowledge database for customers. All these initiatives helped gain trust in the market.

On the internal operations front, securing a supply mechanism specific to PLD products, such as programming and traceability, became necessary to deliver to a wide range of customer companies efficiently and accurately. Consequently, they developed their proprietary Warehouse Management System (WMS), which enabled the assurance of a high-quality supply chain.

The rapid execution of these various initiatives was primarily because the majority of decision-making was entrusted to leaders at the operational level, particularly those directly interacting with customers. The PLD business leader at the time reflected on their ability to make dynamic decisions as the head of the business, entrusting a significant amount of work and decision-making to their subordinates. Here, Macnica's "response cycle" P.21 also played a role in nurturing dynamic talent.

Human Network

Expanding Allies through Trust

In the semiconductor industry, until then, it was customary for semiconductor manufacturers to contract with multiple distributors, fostering competition while also spreading their own risks through this channel strategy. In fact, even Altera had multiple distributors in Japan. However, taking into account Macnica (Altima)'s strong commitment, sales and technical support track record, the platform for operations specialized in PLDs, and above all, the strong trust built since the company's inception, Altera made a bold decision in 2010 to appoint Macnica as its sole domestic distributor. This was a significant and epoch-making event in the semiconductor distribution industry.

From this point onwards, Macnica strengthened its global presence with a focus on Altera products. There were several distributors handling Altera products overseas, all of whom had a high level of technical support capabilities. Merging distributors handling Altera products, which are deeply involved in customers' design and development from the early stages, made the most sense for the global expansion of a technology trading company, as it allowed the fusion of each other's strengths.

In this global expansion, the top management at Altera, who highly valued Macnica, showed great interest. At the time, distributors of Altera products, including Cytech (Hong Kong), Galaxy (Taiwan), Octera Solutions (US), and DHW (Brazil), who would later join the group, were backed by Altera themselves to become part of Macnica's umbrella. They were positioned as the Macnica Group of Global Distributor within the company, further solidifying the relationship.

In this way, while further deepening our global collaboration, our customer base has continued to expand significantly. PLDs have become the core product for proposing our entire product lineup, enabling us to realize value-added proposals that encompass not only the expansion of PLD sales but also the surrounding areas.

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN —LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY —LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE —LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



Co-creation

Autonomous Driving Ecosystem in Japan and Abroad

Macnica's smart mobility business, which started with the business of Automou-Stuff in the US, had been progressing smoothly by providing sales and support to many customers for R&D and experimental applications. P.15 However, Automou-Stuff's business never extended beyond research and experimentation, and Macnica knew that a solution which could run on public roads as a commercial vehicle would be required to realize its smart mobility business concept.

Around the time Macnica was becoming aware of this challenge, we were introduced to a venture capital firm by a partner who was researching artificial perception algorithms in the UK. The VC was already invested in Navya, a company that develops, manufactures, and sells commercial vehicles, and was looking to strengthen Navya's global sales capabilities. Navya was already well-known as a manufacturer of commercial vehicles, and Macnica had been ready to establish contact with them.

Through repeated discussions with Navya exploring the possibility of collaboration, we found that their autonomous vehicles were easy to implement in society and that their post-implementation support system was excellent, so in March 2020, we concluded a sales contract with Navya.

Eight months later, in November 2020, it was decided that Macnica would deliver an autonomous electric bus to Sakaimachi, Ibaraki Prefecture, our first customer. Even before signing the contract with Navya, Sakaimachi staff were consulting with Macnica, as they wanted an autonomous bus running to a regular schedule, but there were no vehicles that met the standards. Navya's vehicles made it possible, and the concept of an autonomous bus in Sakaimachi quickly became a reali-

ty. With this, a series of inquiries from local governments followed for the demonstration experiment, and Navya's business started smoothly.

Latest Technology

Creating a Unique System with Latest Technology x Intelligence

The commercial vehicle business seemed to have gotten off to a good start. However, the minds of Macnica's business members were full of the next challenge because in our vision, vehicle sales and associated services alone were insufficient to solve the problem.

To enable customers to "use" autonomous driving vehicles to provide services, a system for safely managing operations, was essential.

Macnica took this challenge seriously and decided to develop a system in-house. Some aspects of the technology could not be achieved with our existing capabilities, but leveraging our expertise in cutting-edge technology exploration, we identified a Japanese IoT company, aptpod, which possessed the necessary advanced technology. In 2021, we formed a capital alliance with aptpod, incorporated their valuable technology into the system, and successfully developed

Macnica's original operational management system.

Now, we have received verification from many local governments for autonomous driving EV buses and our unique operational management system through the joint venture company Gaussin-Macnica-Mobility, which inherited assets from Navya. With the legalization of Level 4 autonomous driving vehicles in Japan, inquiries from local government customers have accelerated, and the path to social implementation has become clearer than ever before.

Future Insights

From Smart Mobility to Smart City

The evolution of mobility business never stops. We expanded the scope of our business domain, which was previously referred to as "Smart Mobility" to encompass "Smart Mobility within the Smart City concept."

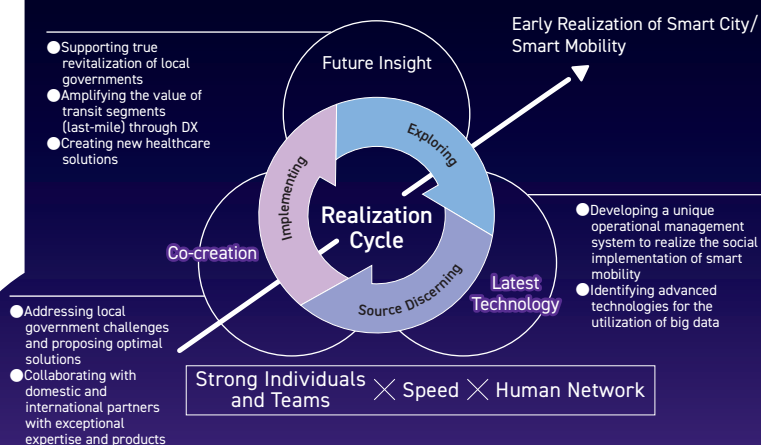
In a demonstration experiment with Shonan iPark, we integrated a solution from Macnica's healthcare team into Navya's autonomous driving bus. This solution allows patients to measure vital information automatically and without contact while traveling to the hospital in the autonomous bus. The data is sent to the hospital in advance. When the bus arrives at the hospital, the current vital information is reflected in the patient's medical record, allowing for immediate medical examination. This is truly the future of healthcare.

We are not only introducing DX but also connecting data to create unseen value and nurture cities of the future. To realize such smart cities, it is necessary to combine various business domains that Macnica possesses. In the case of Shonan iPark, the Mobility team and the Healthcare team from different departments collaborated closely to create new solutions. Macnica's sales organization has naturally taken on the role of coordinating multiple domains and was officially organized as the "Government and Public Solutions Promotion Office" in FY2022. The policy is to strengthen the structure to support multiple municipalities not as individual "points" but as an integrated "surface."

Macnica's Smart City/Smart Mobility business is still only half the way there. To solidify the envisioned future into the "Now," we will continue to foster partnerships worldwide and are excited to expand our business activities worldwide.

Pioneering Tomorrow's Smart City Autonomous Driving Business

Leveraging Expertise in Semiconductors x Security Networks  
Accelerating the "Exploration, Sourcing, Implementation" Realization Cycle  
Leading the way in shaping the cities of the future



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN —LIMITLESS PASSION  
Why is Macnica a Pioneer?

▶ Macnica's Value Creation Process

▶ Macnica's Capabilities

▶ EPISODE: Practicing the Realization Cycle

▶ Macnica's Organization & Culture: Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY —LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE —LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website





Haruki Kamiyama  
Honorary Chairman

The following excerpts are from "The Essence of Management: Everything Begins and Ends with People" by Haruki Kamiyama (Diamond Inc., 2022).



Macnica's Well-Being Management

“Everything begins and ends with people.”

Macnica's founder, Haruki Kamiyama, aimed for a “be bright, fun, and vibrant” company. Believing that the company's greatest assets are its employees, Kamiyama focused on people-oriented management, and individual and organizational growth. Even now, more than 50 years after our founding, this spirit lives on in Macnica, and is still evolving. Let's look at some of the timeless values that we cherish from Kamiyama's words.

Simple, Open, Fair

“What we aimed for was a company that values Simple, Open, Fair. Simple means making things as understandable as possible for everyone. It also means making things easier for everyone. Standardizing and generalizing ways of working undoubtedly improve operational efficiency since there's no need for detailed explanations each time.

“Open means that you can express your thoughts openly. It means creating an environment where employees can express their opinions honestly when they have them, whether it's towards their superiors or the company president. Even if you tell employees that they can express their opinions, complaints, or concerns anytime, it won't matter if there isn't an atmosphere that supports it. Creating an environment where opinions can be expressed openly is crucial.

“Fair translates to being just and equitable, but, to put it more simply, it's about achieving a general consensus. It should be agreeable to everyone. It's not just about being fair or just; it's about having a sense of agreement. This is what being fair is about. This also increases operational efficiency since there won't be unnecessary conflicts.”

Value of Happiness

“Since people have different values of happiness, achieving happiness for everyone is challenging. Therefore, we defined our goal as creating a company where happiness can be achieved for anyone. ‘Those who want to find satisfaction in their work, those who feel happy working in fulfilling jobs, those who find joy in challenges and growth, and those who can learn on their own.’

The following summarizes 'values of happiness' for these individuals:

1. Taking pride in one's work.
2. Taking pride in the company.
3. Experiencing personal growth.
4. An environment that is “be bright, fun, and vibrant!”
5. Having high rewards (compensation).

“Using the term 'employee happiness' is easy, but it lacks practicality without specifying its content. It's necessary to translate it into concrete words to make it effective.”

Delegating Fully Leads to Employee Growth

“During the process of getting people accustomed to their work, I noticed something. That is, when you educate people by delegating tasks fully from the start to confirming results, the growth speed of employees accelerates. The process of planning, executing, reviewing results, and moving on to the next action is called the PDCA cycle. By consistently executing this PDCA cycle by oneself, employees can grow quickly.

“If you delegate fully, naturally, there will be failures. However, if you're told not to fail, you won't be able to do your job. Failure is a part of work, and through experiencing failures, people grow. Success gives you significant confidence, and failure becomes valuable experience.”

Sowing seeds continuously under our feet

“Macnica's corporate philosophy is centered around 'sowing seeds continuously under our feet.' The surroundings change, and the company itself changes. Even businesses that are profitable today may not be so in five years. To ensure the company grows sustainably, there's no other way but to continuously sow seeds and continue to take on new challenges.

“As an organization grows, change becomes less straightforward. This is even more challenging when dealing with different business types and industries. That's why it's necessary to always sow small seeds. Start with very small initiatives, but treat them with importance and continue them. Don't give up. By fostering this mindset and making it a habit, the company will develop into an organization with a strong ability to adapt to changes.

Continuously sowing seeds under our feet significantly influences the company's future.”

Seeds of the Future Lie in What People Don't Want to Do

“The first thing I decided was it's pointless to do the same things as everyone else. It was about doing things that people find troublesome, difficult, or don't want to do. Such tasks don't immediately yield profits. However, by persisting, we can unearth new customer demands, add value through technical support, and create value itself. This led to the concept of 'Demand Creation.'”

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

## Open the door to the future, beyond the challenge.

Macnica's core values, T.E.A.M.S. represents the values that Macnica Group employees turn to when facing daily decisions and actions. All employees coming together under our core values create high-quality teamwork, generating the energy and momentum to pioneer the future.

### CORE VALUES

**T**  
TRUST

**E**  
EXCITEMENT

**A**  
AGGRESSIVENESS

**M**  
MOVE

**S**  
STRETCH

**Employee empowerment backed by trust**

Even young employees are entrusted with various tasks. While age and experience are important, Macnica emphasizes trust. When trusted, employees autonomously identify problems, think deeply, make judgments, and pave their own way towards achieving goals. Managers, when they delegate, trust in an employee's capabilities. This cycle fosters employee growth.

**Positive thinking creates an ideal working environment**

Be bright, fun, and vibrant! Transform yourself with a positive mindset and embrace every challenge as an opportunity to grow. Express your opinions proactively, regardless of your position. Macnica values open communication, and it starts with greetings. The exchange of greetings infuses the workplace with a vital, vibrant energy.

**Hold high aspirations with a passion to persevere**

Set goals and plans, and no matter what difficulties arise, never give up until the end. Thoroughly analyze problems and carefully consider scenarios for success. Circumstances constantly change and things do not always go as predicted. However, we hold high aspirations and achieve our goals through unwavering determination and action.

**Anticipate changing times, transform through self-improvement**

Break free from established notions and biases, occasionally instigating bold waves of change. Never settle for the status quo; iterate through scrap-and-build cycles. At our core lies a venture spirit imbued with dynamism and speed since our founding. We take swift and flexible actions.

**Always set high goals and challenges, failure fear not!**

Embrace the spirit of challenge and try it. Challenging difficult tasks and achieving them maximizes employee ability and leads to cycles of growth. Take on the challenge without fear of failing, knowing that failure becomes wisdom and nourishment for growth into an outstanding professional.

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

## Response Cycle

At Macnica, our culture is based on the concept of Trust & Empowerment, by which we delegate authority, allowing each employee to take the initiative in planning, executing, and making decisions. Regardless of experience, age, gender, or nationality, we trust in our employees and entrust them with responsibilities, thereby fostering both individual and organizational rapid growth.

Employees who are trusted and entrusted with responsibilities develop by creating their own plans and acting on them, accumulating experience, whether it results in success or failure. This process boosts confidence and motivates them to take on bigger challenges. This cycle of trusting and entrusting our human resources based on this response is the starting point for our organizational management, ensuring our corporate culture and sustainable competitiveness.

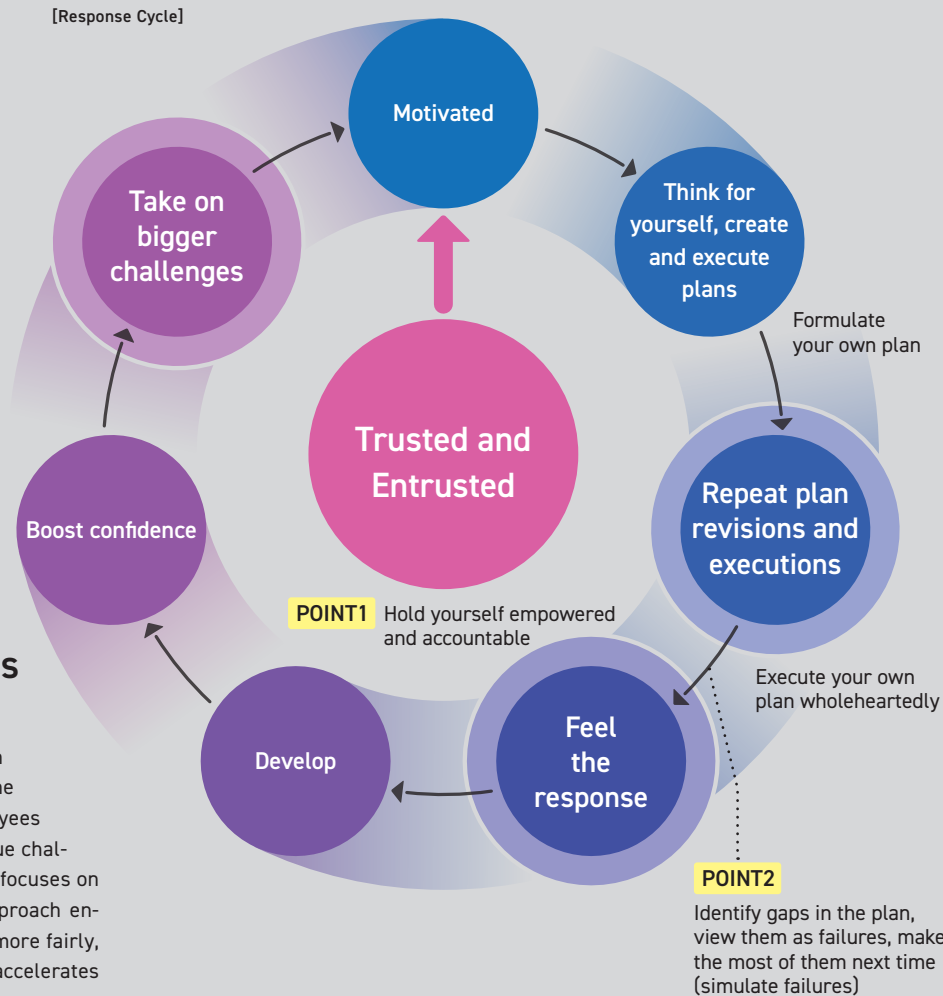
The response cycle generates a remarkable pace of growth for individuals and the organization. Especially for young employees with future growth potential, the Open and Fair system of accumulating real-world experience and having achievements recognized early on enables them to gain a "threefold growth in one year compared to other companies," leading to self-directed career planning.

## Process Evaluation Supports the Spirit of Challenge

To create and offer new value to society, adopting an innovative mindset and a willingness to challenge the status quo is crucial. We strongly encourage employees to believe in their passion and potential and to pursue challenges actively. Therefore, our personnel evaluation focuses on the process rather than just the outcomes. This approach ensures that contributions to the company are judged more fairly, independent of luck or circumstances, and further accelerates the response cycle.

# TRUST & EMPOWERMENT

Human Resource Management to Support Employee Growth



### Process Evaluation based on P(OST)DC

Through highly accurate evaluations based on P(OST)DC, we clarified objectives and realized faster growth, contributing to management quality and performance.

- P: Plan
- O: Objective
- S: Strategy
- T: Tactics
- D: Do
- C: Check

#### Process Evaluation Items (Major Items)

<b>P</b>	(1) Was the OST clear?
<b>D</b>	(2) Did you approach tasks with a spirit of challenge?
	(3) Did you spend time on actions that led to results?
	(4) Did you increase overall activity?
	(5) Did you have a clear purpose for your actions?
	(6) Did you collaborate with others?
	(7) Did the PDC run quickly and in short intervals?
	(8) Did you accurately grasp the results?
<b>C</b>	(9) Did you identify the essence of the problems?
	(10) Did you review your plans?



Defining the capabilities required within the organization. Repeat P(OST)DC, run the response cycle and aim for early growth and a high level.

#### Examples of Grade\* Requirements (General Positions, Excerpt)

G3 Level (3-5 years of employment)	<b>Core Resource / Independent</b>
	Ability to become efficient in operations as a core resource in their department, setting appropriate challenges towards departmental policies and goals, operating effectively and efficiently, contributing to business performance. - Identifies key people in other departments or external business partners and conducts effective negotiations and coordination - Transforms issues and complaints into business opportunities
G4 Level (5-8 years of employment)	<b>Assistant Department Supervisor / Team Leader</b>
	As a management candidate, possessing outstanding professional skills and basic management knowledge (strategy, marketing, accounting, people, organization). Oversees the entire department, contributing to improved departmental performance and strategic formulation. - Understands company policies and strategies, can make decisions without being bound by the immediate future - Undertake complex problems that subordinates can't grasp and decide on solution strategies

\*The grading for general positions ranges from G1 to G7.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



## Continuing to Be a Pioneer— Organization, Culture, and Mechanisms which Nurture Strong Individuals with Grit and Intelligence

Macnica has continued to grow and pioneer for more than 50 years because our employees share the spirit and core values of T.E.A.M.S.

Based on the spirit of these core values, we are building an organization based on delegation of authority, assignment based on challenges, training for “professionalism”, process- and results-oriented evaluations, open and fair compensation and employee selection—enabling us to develop human resources with a highly competitive edge.

To deepen engagement between the company and employees, values are shared by disseminating and sharing core values, sharing company policies and strategies with all employees through Management Plan Presentations, setting action themes each year, and aligning the vectors of employees globally. In addition, the management team Trusts x Empowers every employee, and engages each in comprehensive communications.

By balancing human resource management and employee engagement based on the spirit of our core values, we continue to create “strong individuals” who contribute to business performance while feeling motivated in their work.



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

Macnica's Organization & Culture: Creating Strong Individuals

Why is Macnica a Pioneer?

Maximizing Human Resources and Organizational Growth, Vibrancy Based on a Culture of Trust and Challenge

"Everything begins and ends with people." Macnica has held the founder's vision throughout its history, remembering people as our greatest asset, working cheerfully, happily and energetically [Excitement]. Working with more vigor than ever before, leading to the growth of each individual and maximizing the performance of the organization. The most significant element for this is trust [Trust]. When people are trusted and entrusted with tasks, they become more motivated, result-

ing in faster growth. As you grow, you are entrusted with larger jobs, with greater opportunity to take on challenges [Stretch] earlier. Macnica has a culture that supports challenges. Our personnel evaluation system emphasizes process rather than results, younger employees with higher levels of growth are given more weight in process evaluations, creating an environment where they can take on challenges without fear of failure.

We have also developed a human resource development program focused on accelerating growth. An example of this is the inclusion of management elements in mid-career and core employee training before becoming managers, providing an opportunity to

learn from a higher perspective [Aggressiveness] to grow faster.

Underlying is an organizational culture supported by our core values, T.E.A.M.S. To maintain and strengthen this culture, we have conducted an employee survey, "Building a Strong Company," for the last ten years. We engage the entire organization, discussing and addressing challenges, to reflect employee voices in management, toward dynamic improvement. We will continue to create an environment where people with diverse skills and values can work and thrive and play an active role toward the realization of Vision 2030.



Hisao Ito

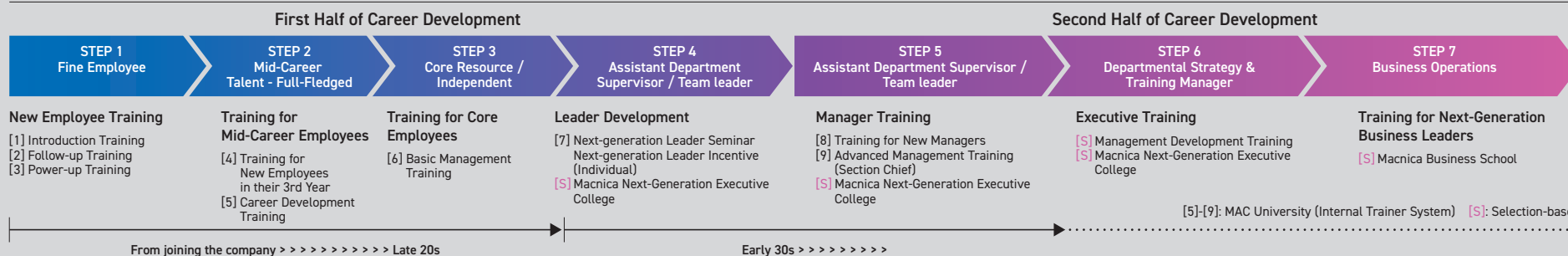
Deputy General Manager  
Human Resources Division  
Macnica, Inc.

Joined Macnica, Inc. as a mid-career hire in 1997, engaged in semiconductor sales, and served as Manager. In 2005, appointed General Manager, Office of the President, supporting three generations of leadership: Kamiyama, Nakashima, and Hara. Heading up human resources since 2021, he was appointed Deputy General Manager of Human Resources in 2023.



Macnica Style: Career Design & Support for Early Growth

We have established a training program that supports individual career design from a medium- to long-term perspective. In the first half of the career development period, we aim to develop professionals who continue to grow on their own, through the P(OST) DC cycle, in an autonomous and proactive manner. In the latter part, they hone their managerial skills, increasing market value as professionals while learning management through self-study and experience.



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN —LIMITLESS PASSION Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

VISION & STRATEGY —LIMITLESS GROWTH Macnica's Medium- to Long-Term Strategy

DISCIPLINE —LIMITLESS RESILIENCE Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# DEI Diversity, Equity & Inclusion Transforming Diverse Values and Abilities into Power

Macnica in its Purpose aims to become a Services & Solutions Company that contributes to solving social and environmental issues, creating a future digital society. The key lies in the active participation of every employee, as we believe that everything "begins and ends with people." We strive to create an environment where our diverse employees, regardless of gender, nationality, race, religion, age, disability, sexual orientation, position, or status, can openly express their opinions without hesitation, trust one another, and harness the power of individuality to continuously generate innovation.

### Diversity

We respect all forms of diversity, including ethnicity, religion, age, disability, sexual orientation, status, position, as well as different ways of thinking, experiences, and skills.

### Equity

Equity ensures fair access to information, opportunities and resources for all. Recognizing that not everyone starts from the same place and that there are structural inequalities that are difficult to resolve by simply eliminating discrimination and providing equal opportunities, we seek to improve work environments, where structural and systemic benefits and disadvantages exist, to pursue equity so that everyone can perform to their full potential.

### Inclusion

We build an environment where everyone can respect each other, use differences effectively, and confidently reveal their various aspects, perspectives, and ways of thinking openly.



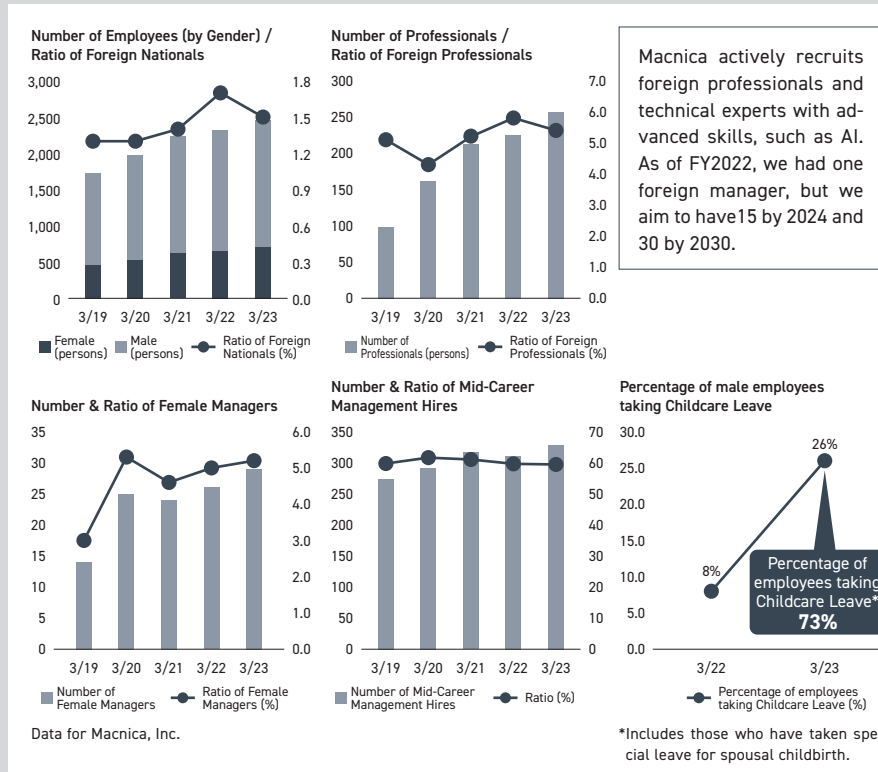
Information  
<https://www.macnica.co.jp/en/company/sustainability/dei/>

## Leveraging the Macnica Way to Achieve DEI

While performing duties at the Governance and Risk Management Department, I strongly felt the need for DEI. In December 2021, I started by serving as an instructor for unconscious bias training, and in January 2022, I established the D&I Promotion Committee. Together with the CEO, we called upon all employees to recognize the importance of DEI in the management message. We have just embarked on this journey, but we are confident that Macnica, with its emphasis on Openness, Trust, and Speed, can undoubtedly grow into a global company that truly embodies DEI.

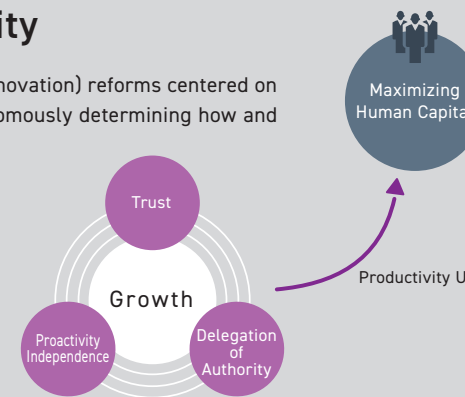
Registered Attorney in 1997. Admission to the State Bar of California. Practicing in both Japanese and foreign law firms and in-house legal departments. In 2021, joined Macnica, Inc. In 2022, assumed the position of General Manager, Corporate Governance & Risk Management Group at Macnica, Inc. and Executive Officer at Macnica Holdings, Inc.

**Miki Sakakibara**  
General Manager  
Corporate Governance & Risk Management Group  
Macnica, Inc.



## WSI Work Style Innovation Autonomy Increases Productivity

In 2022, we initiated WSI (Work Style Innovation) reforms centered on each department proactively and autonomously determining how and where to enhance organizational and team productivity. Built on the foundation of Trust & Empowerment, instead of setting company-wide rules and operational standards, we significantly revised the system to allow each department and team to make their own decisions and adopt the work styles they believe will maximize productivity.



### Introduction / Purpose

#### CEO MESSAGE

**MACNICA, THE FIRST PENGUIN**  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals
- ▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus, Hitotsubashi University

**VISION & STRATEGY**  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

**DISCIPLINE**  
—LIMITLESS RESILIENCE  
**Responding to Change**

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website





## Kunio Ito

Currently serves as Professor Emeritus, Hitotsubashi University and Director, Hitotsubashi CFO Education and Research Center. He has held positions as Professor, Dean of Graduate School of Commerce, Dean of Faculty of Commerce and Vice President, Hitotsubashi University. He graduated from Hitotsubashi University with bachelor's degree in Commerce and PhD in Commerce.

In 2014, served as METI project chairman, publishing the Ito Report. Held various key positions including Chairman of the METI ESG and Intangible Asset Investment Study Group (Ito Report 2.0), Chairman of the SX Study Group (Ito Report 3.0), Chairman of Ito Report for Human Capital Management and Ito Report 2.0 for Human Capital Management, Chairman of the METI and TSE: DX Stock Selection Committee, Chairman of the Cabinet Office Non-Financial Information Visualization Study Group, Chairman of the TCFD Consortium and Chairman of the Human Capital Management Consortium and Chairman of the METI and TSE: SX Stock Evaluation Committee, among others.

## An Independent View

Macnica is a unique company. Having seen many different companies over the years, my honest impression upon encountering Macnica was, "I didn't know there was a company like this in Japan." There are various types of companies, and I have unconsciously categorized the characteristics of each, but Macnica doesn't fit into any of those types. Simply put, I would say Macnica is a fusion of Silicon Valley venture spirit and Japanese corporate culture.

From its early days as a semiconductor trading company, Macnica has established deep connections with Silicon Valley. The company has always pursued cutting-edge technology and intelligence, and as a result has an in-depth understanding of every nook in Silicon Valley. I'm not aware of any other Japanese company that has delved as deeply into Silicon Valley. Macnica must have developed its Discerning Ability from these interactions with Silicon Valley companies over the years. A closer look reveals a Silicon Valley style of behavior everywhere. Even with annual revenue exceeding ¥1 trillion, the company exudes a venture spirit, its employees are agile and inexhaustible in their pursuit of technology and solutions, change is a default mode, and they value substance without regard for form. The organic combination makes for a dynamic capability that Japanese companies are not known for—and this is what makes the Macnica Way. The company can be described as hybrid Silicon Valley x Japan, but it's more apt to see it as Macnica Way.

Macnica is an intriguing company. A glimpse of this is eloquently illustrated in its Purpose, formulated this year. Let me repeat it here. "Leading in an ever-changing world, we seek

technology and intelligence beyond the cutting-edge, while envisioning the future and creating the Now." No other company but Macnica has three futures in its Purpose. At first glance, this may seem like an exaggeration. However, a careful unraveling of the company's history reveals that the three futures are ingrained in its DNA. And in recent years, this has become clearer in the company's dynamics. Above all, the company is not merely future-oriented or "Envisioning", it is also hyperrealistic, creating solutions for the "Now." It lavishes insights from the future on solving real-life issues today, for its corporate clients and society at large.

An increasing number of companies have recently formulated their Purposes, but in many cases, it's actually a picture of what they want to be, which is not currently possible. Macnica's Purpose is different—an honest expression of their ecology and values. In this sense, they are powerful and eloquent.

Macnica is a consistent company. Its strength lies in the strong consistency among the elements that make up its management. The various systems, management structures and behavioral patterns remain consistent. First and foremost, management strategy and the skills of the company's personnel align at a high level. This is due to the organic connection between materiality and the six business themes, and above all to the commitment of its employees to the core values of T.E.A.M.S.

I have long thought that a strong company is consistent. Even if there's an alignment between management and human resource strategy, if the corporate culture that supports them is not consistent, the company cannot be considered resilient.

In this respect, the First Penguin culture or its pioneering spirit that the company cherishes deserves special mention. Few Japanese companies have achieved a synchronization of the trinity, of corporate culture, management strategy and human resource strategy. Viewing human resources as capital, assessing individuality and skills, selecting the right people for the right place, and flexibly organizing projects with internal and external stakeholders. This is the Macnica Way.

Certainly, Macnica places great importance on finances in order to increase corporate value. As a result, the company was included in the JPX Prime 150 in May 2023 and the JPX-Nikkei Index 400 in August. While many Prime-listed companies are struggling with PBRs of less than 1x, Macnica was recognized for its large equity spread (ROE less cost of capital).

I have tried to remain as objective as possible in preparing this independent view. It's an exciting and rare company, yet relatively unknown, so I'm pleased that Macnica is publishing its first integrated report. It may be somewhat 'overproduced' due to its inaugural nature, but it accurately depicts the essence of the company. I hope this report will provide an opportunity for more stakeholders to get a closer look at Macnica.

The various characteristics that color the company have been shaped by the waves of history in a natural and fluid way. To further develop and sustainably increase corporate value in the future, Macnica will need further efforts to brush up its 'human capital management', and link its corporate culture, management strategy and human resource strategy at a higher level. I sense an exciting future for Macnica.

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

- ▶ Macnica's Value Creation Process
- ▶ Macnica's Capabilities
- ▶ EPISODE: Practicing the Realization Cycle
- ▶ Macnica's Organization & Culture: Creating Strong Individuals

▶ OPINION: An Independent View  
Kunio Ito, Professor Emeritus,  
Hitotsubashi University

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# VISION & STRATEGY LIMITLESS GROWTH

## Macnica's Medium- to Long-Term Strategies

As an independent trading company specializing in electronics, Macnica's mission is to provide the world's most advanced products and technologies. In the rapidly changing electronics and information and communications industry, we have sought to differentiate ourselves from other companies not only as a specialized trading company in charge of product distribution, but also as a company that provides technical services that provide accurate proposals to customer issues and enable customers to master our products and services.

Amidst the rapidly changing business environment, we are taking steps to transform group management to grow further and enhance profitability. Based on our Purpose, "Leading in an ever-changing world, we seek technology and intelligence beyond the cutting edge, while envisioning the future and creating the 'Now,'" we will evolve into a Services & Solutions Company that creates value through the Realization Cycle—exploring, discerning, and implementing—and will contribute to solving social issues.

- 01 Long-Term Management Concept: Vision 2030 P. 27
- 02 Medium-Term Management Plan: FY2022-24 P. 32
- 03 Summary by Business P. 35

Semiconductor Business P. 36    Network Business P. 39    CPS Solutions Business P. 42



- 04 IT & DX Strategy P. 45
- 05 Financial Strategy P. 48



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# 01

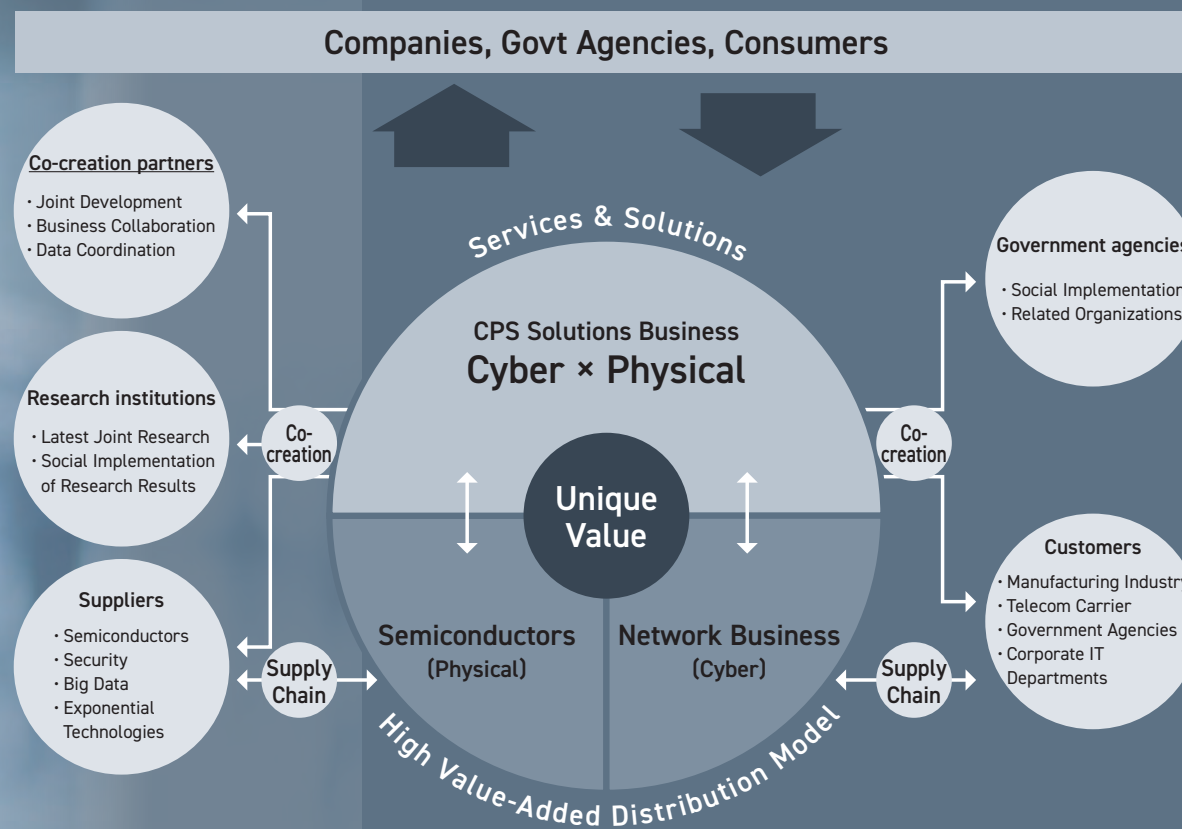
## Long-Term Management Concept

# Vision 2030

In May 2022, Macnica formulated a vision to become a "Services & Solutions Company that continuously creates new value by connecting the world's Technology x Intelligence, to realize an abundant future society" by 2030.

While expanding our high value-added distribution business model, which has supported our growth for the past 50 years, we will take on the challenge of new business models that leverage our strengths. Through this, we will envision a new stage of growth, advance the social implementation of Cyber x Physical, and create new surprises and realities through social contributions.

Evolving into a **Services & Solutions Company**, creating new value by connecting Technology x Intelligence around the world, towards a prosperous future society



### Growth of High Value-Added Distribution Model

Our high value-added distribution model adds unique value to the sales of semiconductors and security and IT products. For semiconductors, we provide design and development support, quality assurance, appropriate inventory management, and on-time delivery. For security and IT products, we take on the responsibility of areas that may be challenging for customers to implement and operate on their own, offering technical support from pre-purchase to after-sales, making us an indispensable business partner. We continue to evolve and expand this model.

### Evolution into a Services & Solutions Model

By combining and elevating cultivated strengths in both the Cyber and Physical realms, we will evolve and expand into a new CPS (Cyber-Physical System) business model. With our expanding ecosystem of group companies, suppliers, customers, research institutions, government agencies, and a vast network of eco-partners, we are discovering, connecting, and combining cutting-edge Technology and Intelligence to create even higher value-added services and solutions. Through our business activities, we will generate both social and economic value.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



# With Acquired and Accumulated Intelligence Combining Two Existing Businesses to Create Unique Value

Leveraging its Ability to Discern in finding cutting-edge technologies and solutions around the world, Macnica will enter growth markets with a [high value-added distribution model](#). Our Services & Solutions model involves acquired intelligence, such as domain expertise, necessary capabilities, and [co-creation partners](#), and accumulated intelligence, developing our own products and services with unique value. We are focusing on 6 business themes [P.30](#), including Smart City / Mobility, Smart Manufacturing, and Healthcare, and combining Cyber strengths such as networks, security, big data and AI with Physical strengths such as sensors, edge computing, and semiconductors. We are working on the development of data service solutions that greatly contribute to solving real-world problems.

In this way, we will combine our Cyber and

Physical strengths, cultivated in our semiconductor and network businesses, utilizing acquired and accumulated Intelligence as a strategic resource. We will transform our business model from high value-added distribution to offering original services and solutions. In this evolution, we will implement each new business following the CPS (Cyber-Physical System), to enhance success replicability and commercialize our six business themes.

The Macnica Group's Long-Term Management Goals for 2030 have been formulated on the premise of contributing to solving social challenges and sustainable business growth, balancing social and economic value. As stated in our Purpose, we will contribute to the development of future society, fully utilizing our unique capabilities: proactive, "at the forefront of change,"

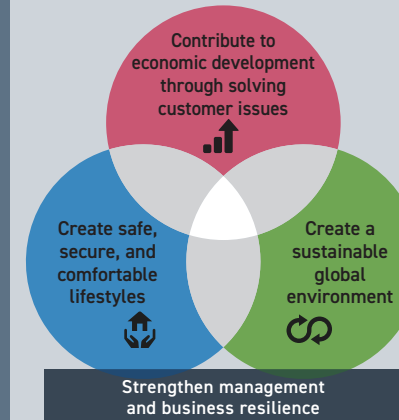
exploratory, "beyond the cutting-edge," visionary, with an ability to "envision the future", and to implement, "creating the Now." In this, we will "contribute to economic development through solving customer issues," "creating safe, secure and comfortable lifestyles", "creating a sustainable global environment" and contribute to addressing challenges across the entire industry.

As specific targets of sustainable business growth, we have set sales of ¥2.0 trillion or more, operating income of ¥150.0 billion or more, operating income of 7.5% or more, and ROE of 15% or more. In addition to our current core businesses of ICs and Networks, we will grow [CPS solutions](#) into new business segments and achieve steady growth based on the three pillars.

\*Revised upwards in September 2023.

## Long-Term Management Goals (2030)

### Leading the Development of Future Society

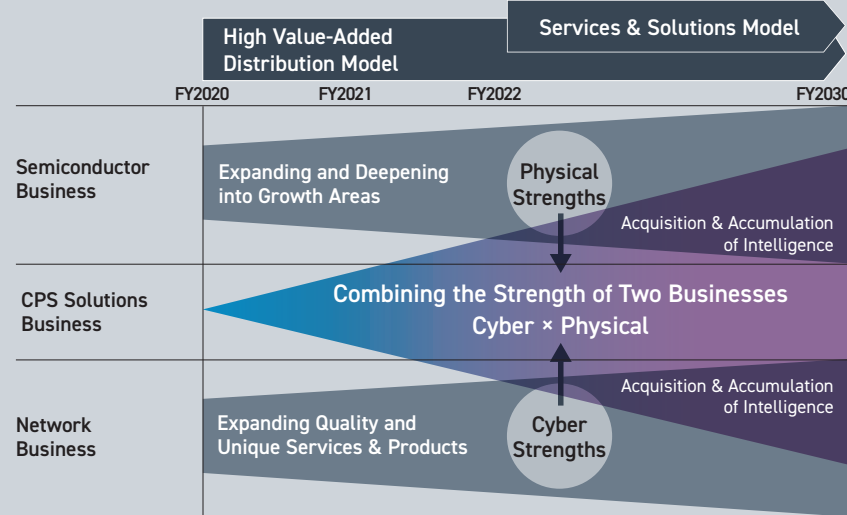


### Sustainable Business Growth

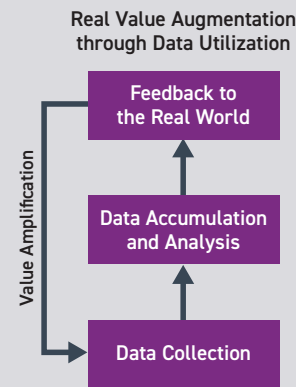
Sales:	Over <b>¥2.0</b> trillion
Operating Income:	Over <b>¥150.0</b> billion
Operating Income Margin:	Over <b>7.5</b> %
ROE*:	Over <b>15</b> %

\*ROE = Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

## Multi-layered Business Model



## "Format" of CPS Solutions



## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

## FACTS & FIGURES

### View by Keyword

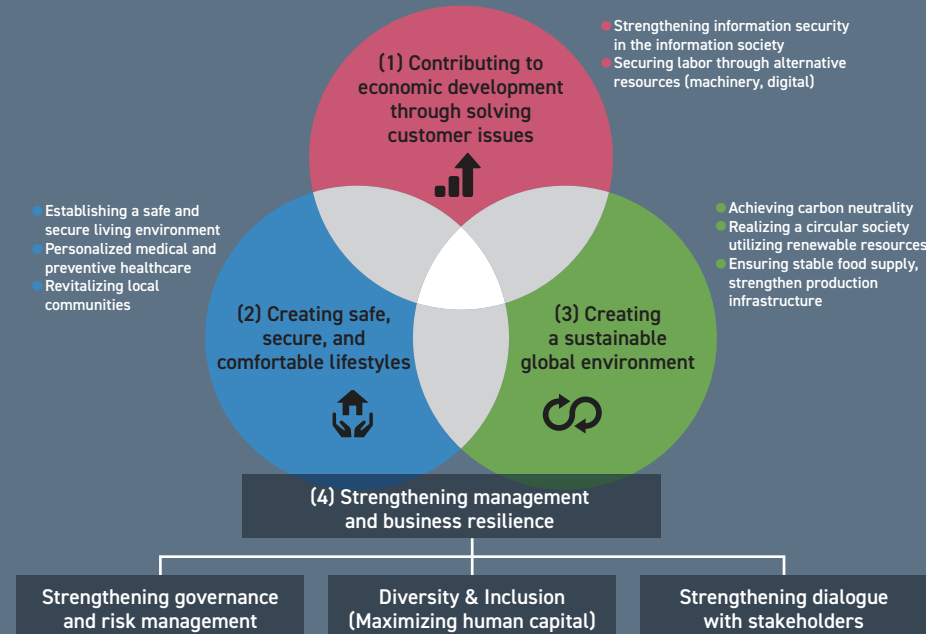
Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# Materiality

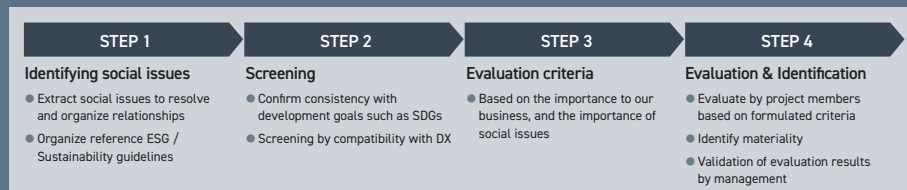
The Macnica Group has identified four materiality areas in accordance with its Policy on Sustainability, which contribute to the global environment, social development, and economic growth through business activities. In identifying materiality, we considered matters significant to stakeholders and impacting Group operations.



Business Materiality: 1,2,3 Management Materiality: 4

## Materiality Identification Process

In identifying materiality, the Group identified material issues through 4 Steps to ensure comprehensive-ness, objectivity, and uniqueness. It will be reviewed considering changes in the significance of issues and the emergence of new challenges.



## Policy on Sustainability

The Macnica Group has formulated the following Policy on Sustainability and is committed to addressing social challenges and achieving sustainable growth. We will endeavor to balance our business activities and sustainability according to the four key policies.

### Macnica Group Policy on Sustainability

We regard responding to environmental and social challenges as one of the most important management policies. We strive for activities to "Leading in an ever-changing world, we seek technology and intelligence beyond the cutting-edge, while envisioning the future and creating the Now."

## Four Policy Priorities

- 1**

Identifying key issues and promoting business initiatives and investment management that contribute to solving social challenges and fostering a sustainable society

We will strive to contribute to society and the environment through business activities, while enhancing corporate value.
- 2**

Promoting global management with consideration for the environment and human rights, and strengthening the supply chain

We will conduct business operations that consider environmental conservation, human rights, and the fundamental rights of labor. We aim to build a supply chain in line with the sustainability principles of the Macnica Group, understand the cultures and customs of various countries around the world and engage in fair and sincere business activities.
- 3**

Acquiring Trust from Society and Strengthening Governance & Risk Management Systems

We will disclose information that is accurate, clear, and timely, and promote constructive dialogues with stakeholders. We aim to establish and strengthen a governance system to achieve sustainable management without misconduct.
- 4**

Education and Awareness of Employees for Promoting Sustainability Initiatives

All employees have the responsibility to promote sustainability. We provide education and awareness activities for employees regarding sustainability.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# Materiality and Business Activities

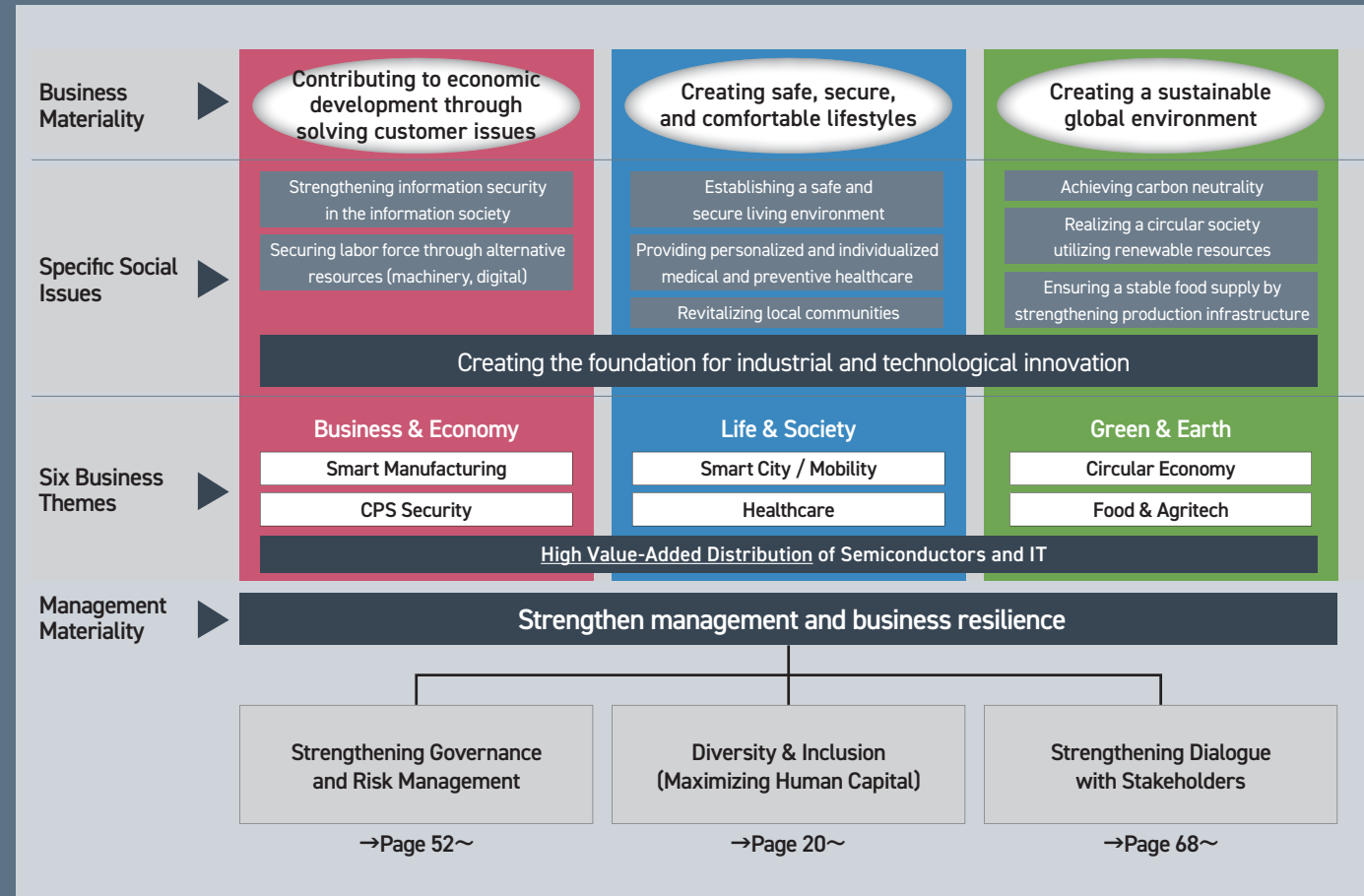
Macnica has set six business themes as growth businesses leveraging its strengths, aiming to realize materiality. These positions, alongside existing semiconductor and network businesses, will contribute to all. We believe that semiconductors, IT, and security form the foundation of innovation in all industries. We will contribute to the foundation of future industries and technological innovations through our semiconductor and network businesses.

### Contributing to economic development through resolving customer issues

Through the Smart Manufacturing business, we address challenges faced by manufacturing industry customers, such as securing labor force and preserving artisan skills. In the CPS Security business, we contribute to strengthening information security, which is becoming increasingly important. This business involves existing cybersecurity efforts and extends to security within factories and security integrated into products and services.

### Creating safe, secure, and comfortable lifestyles

In the Smart City/Mobility business, we leverage Macnica's mobility solutions to support the revitalization of local communities through proposals that go beyond autonomous vehicles, encompassing total smart mobility solutions. We develop proprietary solutions that can sense and monitor air quality in living spaces, contributing to safe and secure living environments where threats like new infectious diseases are more prevalent. In the Healthcare business, we contribute to personalized healthcare and preventive medicine. Through collaborations with external partners such as Kyushu University, we already offer frailty prevention\* services that prevent weakening physical and mental functions due to aging.



### Creating a Sustainable Global Environment

In the Circular Economy business, we contribute to carbon neutrality and creating a circular society using renewable resources. Through the Food and Agritech business, we enhance living standards by ensuring a stable food supply.

### Strengthen Management and Business Resilience

In today's volatile business environment, due to factors such as the COVID-19 pandemic, the Russia-Ukraine conflict, climate change risks, and geopolitical and economic security challenges, we are working on three themes to enhance manage-

ment structure and business resilience: "Strengthening Governance and Risk Management," "Diversity & Inclusion (Maximizing Human Capital)," and "Strengthening Dialogue with Stakeholders."

\*An approach that emphasizes "body," "mind," and "sociality" to prevent the frailty of mind and body due to aging, and promotes a vibrant and healthy extended life.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



# Roadmap to Vision 2030

## Achieving Long-Term Management Goals through Three Phases of Transformation

Backcasting from the establishment of our Services & Solutions model and achievement of Long-Term Management Goals set forth in Vision 2030, a three-stage Medium-Term Management Plan has been developed.

After the three-year Management Resource Fusion Phase started in FY2022, we proceed to the Specialization Enhancement Phase from FY2025, then to the Management Resource Integration Phase from FY2028. By steadily improving strategies with the "Three Phases of Transformation," we will achieve our Long-Term Management Goals.

### Management Resource Fusion Phase (FY2022-)

In the previous Medium-Term Management Plan, Fuji Electronics Co., Ltd. and Macnica Networks Corp. were merged into Macnica, Inc. to centralize management resources.

The first phase involves combining the strengths of Cyber × Physical, sowing and nurturing the seeds of new businesses. Alongside strengthening collaboration between the Semiconductor Division and the Network Division, we will advance the development of the CPS platform, which forms the foundation of the Services & Solutions model, by sharing various partners, such as customers and suppliers, across the entire Macnica Group.

### Specialization Enhancement Phase (FY2025-)

In the next phase, we will enhance specialization in six business themes, including Mobility, Smart Manufacturing, and Healthcare, while strengthening services and promoting collaboration between them.

		FY2022-24 Management Resource Fusion Phase	FY2025-27 Specialization Enhancement Phase	FY2028-30 Management Resource Integration Phase	
Services & Solutions Model	CPS Solutions Business	Investment in Development	Strengthen service development	Service growth acceleration	Service integration and stabilization
		Key Points	Development of individual services	Strengthen individualized services and coordination between services	Standardization of platforms
		Brand Enhancement	Brand development	Brand enhancement	Maintain and strengthen the brand
High Value-Added Distribution Model	Semiconductor Business	Profit Structure Reform	Development of high value-added commercial products	Expansion of high value-added commercial products	Stabilization of high value-added commercial products
	Network Business		In-house service development	Expansion of in-house services	Stabilization of in-house services
	Common	Strengthen Business	Acquisition of latest commercial products, global enhancement, portfolio expansion		
Company-wide		Strengthen Business Foundation	Strengthen DX development	Strengthen DX dissemination and development	DX stabilization

### Management Resource Integration Phase (FY2028-)

The final phase involves integrating the enhanced expertise of each business domain. For instance, by combining the capabilities and know-how of the Mobility and Healthcare businesses, we will generate "Integrated Service Solutions" that contribute to the "Super City" concept\*. We will coordinate more services and data across different areas, advancing integration and establishing a platform that sets a new standard in the industry. This will lead to business stability.

### Evolution of High Value-Added Distribution Models

We will strengthen DX development in both the semiconductor and network businesses, aiming to increase earnings by establishing stable operations through the diffusion of DX infrastructure and further strengthened development. To achieve a revenue structure that remains unaffected by external environmental change, for the semiconductor business, we will steadily advance the exploration and expansion of high value-added products that have shown promise in the previous Medium-Term Management Plan. For the network business, we will focus on developing our own services to achieve expansion, market penetration, and to drive further transformation.

### Evolution of Services & Solutions Models

To establish a new Services & Solutions model, in the first phase, we will proceed with the development of individual services through the fusion of management resources and proactive investments. In the next phase, we will accelerate growth by strengthening these services and promoting data collaboration among related services. In the final phase, we will collaborate among the individually reinforced businesses to enable them to function as "integrated services" and a "standard platform." To support these efforts, we will carry out development investments.

\*Super City refers to the collaborative efforts of countries, regions, and businesses to create a "livable city of the future," offering services like remote education, healthcare, automated delivery through drones, autonomous driving, and cashless payments to residents, utilizing advanced technology.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# 02

## Medium-Term Management Plan: FY2022-2024

## Management Resource Fusion Phase

In the Management Resource Fusion Phase of the Medium-Term Management Plan that started in FY2022, we are progressing in both strengthening our business strategy and simultaneously enhancing our management base.

The business strategy comprises three segments: the semiconductor business, the network business, and the CPS solutions business that materializes the Services & Solutions model.

We will thoroughly strengthen our management foundation to establish a strong corporate entity that balances social and economic value.

## Towards Greater Heights Revising Our Goals Upward, Accelerating Transformation

### Medium-Term Management Plan: FY2022-24

#### Enhancing Business Strategy and Management Base

	Business Strategy	Management Base
<b>Semiconductor Business</b>	<ul style="list-style-type: none"> <li>Expansion of market share in growth domains</li> <li>Increase of high value-added solutions</li> <li>Developing proprietary products for long-term growth</li> <li>Global strategy</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening risk management</li> <li>Strengthening IT &amp; DX strategy</li> <li>Maximizing human capital</li> <li>Strengthening financial strategy</li> </ul>
<b>Network Business</b>	<ul style="list-style-type: none"> <li>Expansion of security business</li> <li>Growth of Big Data business</li> <li>Expansion of application business</li> <li>Global strategy</li> </ul>	
<b>CPS Solutions Business</b>	<ul style="list-style-type: none"> <li>Business development to solve social issues in six themes</li> <li>Expansion of CPS platforms</li> <li>Strengthening capabilities for long-term growth</li> </ul>	

#### Management Targets (Consolidated)

	FY2022 (Actual)	FY2023 (Forecast)	FY2024 (Target)
Net Sales	¥1,029.3 billion	¥1,100.0 billion	Over ¥1,200.0 billion
Operating Income	¥61.6 billion	¥66.0 billion	Over ¥67.0 billion
Operating Income Margin	6.0%	6.0%	Over 5.6%
Net Income attributable to Owners of Parent	¥41.0 billion	¥42.2 billion	Over ¥50.0 billion
ROE	22.2%	Over 15.0%*1	Over 15.0%*1
Working Capital Turnover*2	4.4	Over 3.8	Over 3.8

\*1 ROE = Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

\*2 Working Capital Turnover = Annual Sales / Working Capital (Accounts Receivables + Inventories - Accounts Payable, at end of period)

\*Segment information is disclosed for ICs, Electronic Devices and Other Business, and Network Business. The performance of the CPS Solutions business is included in ICs, Electronic Devices, and Others Business.

#### Growth Strategy for the Semiconductor Business

We will expand high value-added semiconductor distribution primarily in areas such as automotive and industrial equipment while actively working for market share in growth markets. We will enhance profitability through high value-added solutions with semiconductors that we have been developing through the previous Medium-Term Management Plan. We will pioneer new technologies and products that can be utilized in rapidly moving markets such as environment, IoT, communication, and mobility-related sectors. Furthermore, while considering M&A and the Chinese semiconductor market, we will formulate strategies to further enhance our global franchise.

※ P.36 Semiconductor Business

#### Growth Strategy for Network Business

In the security business, we will expand our share in the existing cybersecurity domain and in new areas, strengthening our services. In the Big Data business, we will expand in the current data analysis domain, acquire new products, and expand services related to AI, DX, and data analysis. Applications such as the "Box" related to the digital workplace can be developed as strategic application businesses by adding our services. Globally, we will continue strengthening collaboration with the domestic network division and actively invest in growing countries.

※ P.39 Network Business

#### Growth Strategy for CPS Solutions Business

Macnica will further enhance its efforts in businesses traditionally pursued as new ventures, branding them under the CPS Solutions Business. We will focus on six business themes aligned with materiality and will advance business development and social implementation. Additionally, we will prioritize the expansion of the CPS platform, which forms the foundation for the Services & Solutions model. We will cultivate the necessary capabilities within and acquire from outside the organization to expedite these endeavors.

※ P.42 CPS Solutions Business

#### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business  
 ▶ Semiconductor Business  
 ▶ Network Business  
 ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

## Strengthening the Management Base

In the Management Resource Fusion Phase, Macnica is working on four key aspects to enhance the resilience of its management in pursuit of realizing Vision 2030. These aspects include maximizing human capital, risk management, IT & DX strategy, and financial strategy.

### Maximizing Human Capital

Macnica will continue to embody the fundamental principle of "people-first" that has been at its core since its inception. To maximize human capital, Macnica will focus on promoting Diversity, Equity, & Inclusion (DEI), reforming work styles, and fostering human resource development.

Over the past decade, we have conducted an annual "Employee Survey for Building a Strong Company" to build trust and relationships with employees. Based on expert feedback, we have devised and implemented improvement measures in each department. Furthermore, the president and executive officers regularly hold gatherings with mid-level young employees, actively engaging in close communication efforts such as gathering feedback from the field and sharing clear directions for the company's management.

Macnica will strategically enhance HR systems,

compensation structures, and development efforts to further amplify human capital and gain increased competitiveness.

❖ P.19 Organization & Culture: Creating Strong Individuals



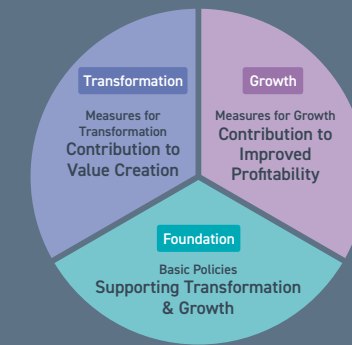
### Strengthening IT & DX Strategy

During the previous Medium-Term Management Plan period, Macnica revitalized our core systems (ERP, CRM, SCM...) and completed their implementation. Moving forward, we aim to further accelerate the utilization of these core systems and strive for improved operational efficiency. This includes not only a significant leap in operational efficiency but also the streamlining of sales activities through the consolidation of information.

Furthermore, we anticipate that by real-time dashboarding of data from various angles that were previously difficult to visualize, we will be able to significantly improve the speed and accuracy of decision-making.

Additionally, we will continue to strengthen global IT governance and drive internal DX to increase business opportunities and enhance operational efficiency. ❖ P.45 IT & DX Strategy

Specific measures to realize IT & DX Strategy



### Strengthening Risk Management

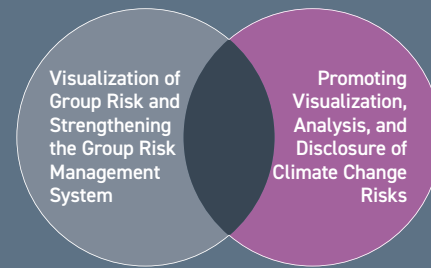
The Macnica Group is taking on the challenge of transforming into a new business model. As the group's scale continues to expand, it is building mechanisms to visualize risk across the entire group, implement strategies to mitigate risk, and establish frameworks for appropriate risk-taking.

Specifically, efforts are being directed towards developing regulations for comprehensive group-wide risk management, as well as dedicating attention to establishing and solidifying reporting channels during significant incidents. Moving forward, the aim is to promote autonomous risk management practices within each business entity, including all group companies, stemming from risk management led by the Compliance Department.

❖ P.63 Compliance Risk Management

Furthermore, the Group is also enhancing its responses to ESG-related risk ❖ P.65 while working

on elevating its business portfolio management and associated investment evaluations.



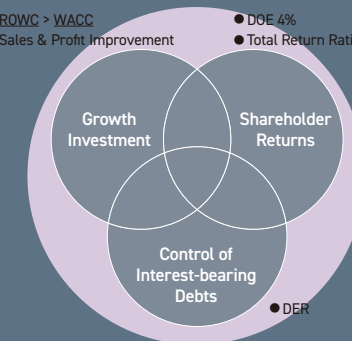
### Strengthening Financial Strategy

To achieve Vision 2030 and Long-Term Management Goals, we prioritize investment in M&A and intangible assets such as CPS, AI, and our proprietary services that are essential for future growth. The necessary funds for these purposes will be generated through cash flows from operating activities, improvements in working capital turnover, and financing primarily consisting of interest-bearing debts.

Regarding our shareholder return policy, considering an ROE\* of over 15%, we aim for a Dividend-on-equity ratio (DOE) of 4% as a guideline. We will implement a stable and continuous dividend policy, and as a variable shareholder return, we will consider the acquisition of treasury stock in consideration of capital efficiency and market conditions, aiming for a total return payout ratio of 30-50%.

❖ P.48 Financial Strategy

- ROWC > WACC
- Sales & Profit Improvement
- DOE 4%
- Total Return Ratio 30-50%



- Maintenance & Improvement of Working Capital Turnover Ratio

\*ROE = Net Income attributable to Owners of Parent / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-controlling Interests, at end of the period)

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS & FIGURES

### View by Keyword

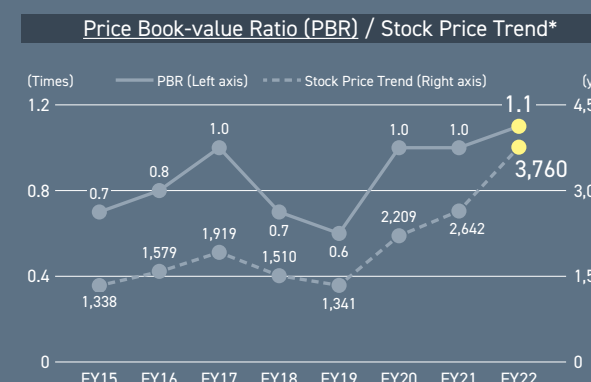
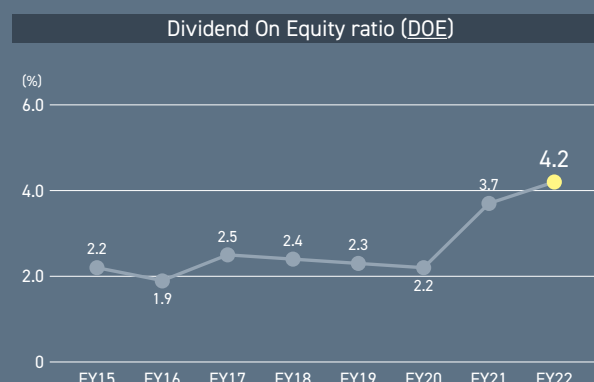
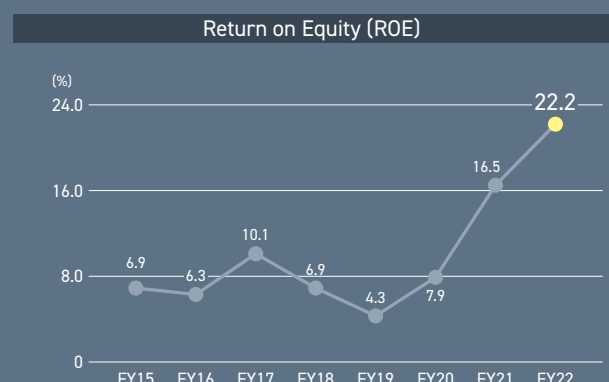
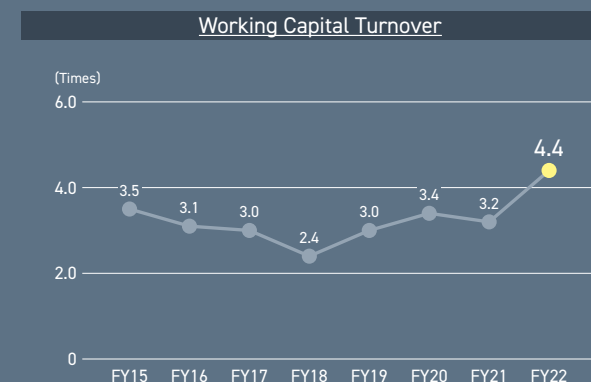
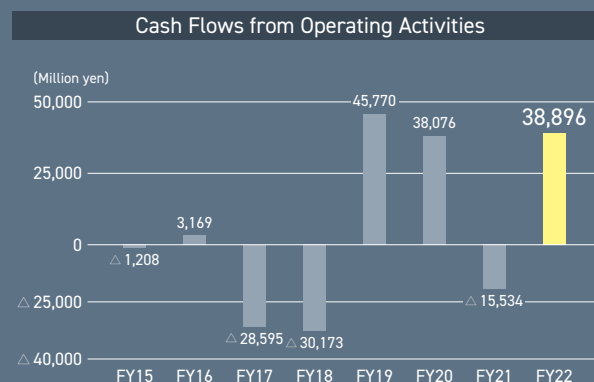
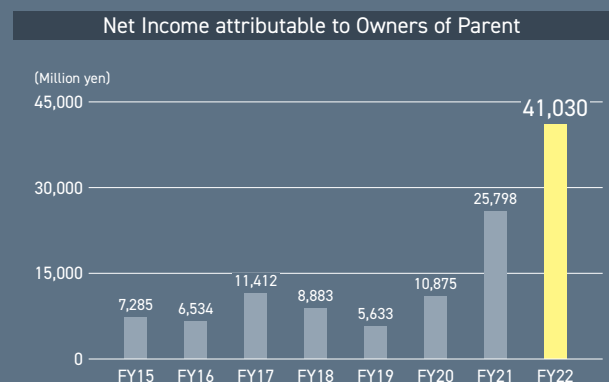
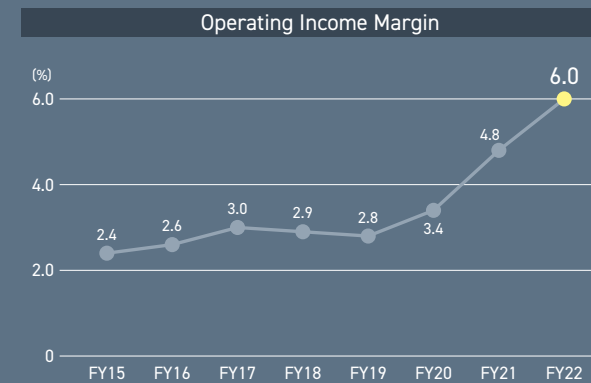
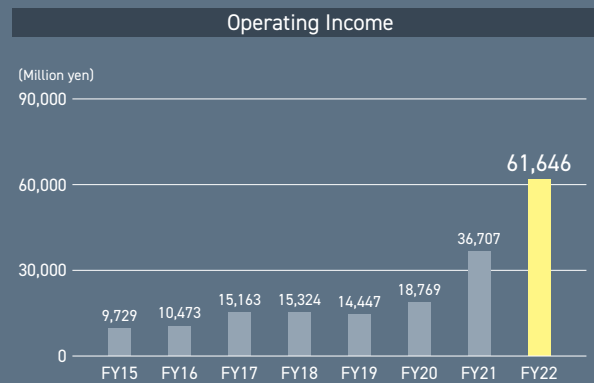
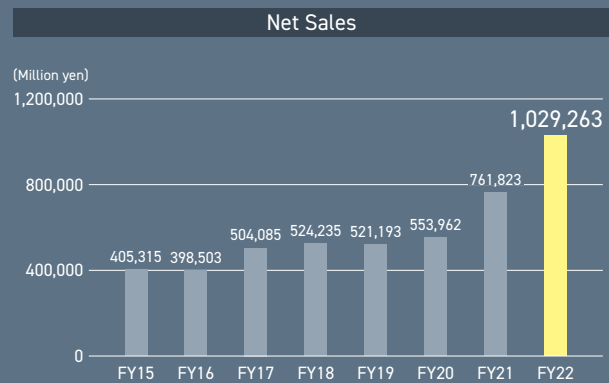
Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



# Financial Highlights (Consolidated)



\* at end of each period

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

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- IR Library
- Macnica, Inc. Website

# 03 BUSINESS HIGHLIGHTS Summary by Business

## Semiconductor Business

ICs, Electronic Devices,  
and Other Business

## Network Business

## CPS Solutions Business

### High Value-Added Distribution (VAD) Model

Macnica sells semiconductors procured from world-leading semiconductor manufacturers to a diverse range of customers, focusing on the industrial equipment and automotive sectors. Leveraging an extensive product lineup and advanced technical capabilities, Macnica engages in demand creation, establishes a global sales structure, and accurately responds to customer needs. By providing robust sales expansion, technical support, and market information, Macnica contributes to the semiconductor market's growth.

We discover cutting-edge IT products using advanced technology from around the world and provide digital technologies that transform cybersecurity measures and business processes for companies, government agencies, and other customers. We directly convey the value brought by technologies that are not yet widely known and collaborate with partners such as systems integrators during the implementation phase. With comprehensive technical support geared towards operational sustainability, we enable our customers to effectively leverage these technologies.

### Services & Solutions Model

The CPS Solutions Business model involves introducing cutting-edge IoT and sensor technologies through a VAD model. By developing and providing services such as data accumulation and analysis in-house, this model combines the sale of physical products and the provision of experiences (recurring model). Leveraging strengths developed in the semiconductor and network businesses, we acquire intelligence through advanced technologies, solutions, and co-creation partners. Using these elements, we create Services & Solutions imbued with Macnica's unique value, contributing to the true resolution of our customers' challenges.

### Business Model

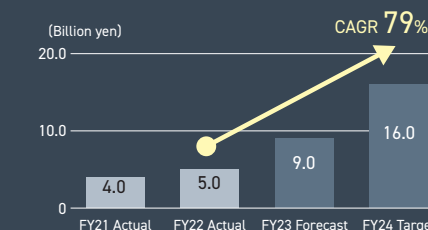
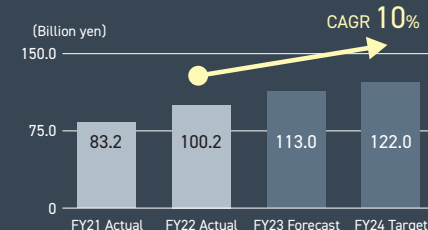
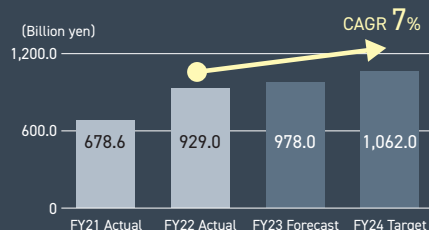
### Business Overview (FY2023 Forecast)

While supply shortages in the semiconductor industry are generally resolved and normalized, there are signs of slowing demand in certain markets. In particular, the slowdown in the Chinese market's conditions is expected to have a negative impact on our company's performance. However, in the automotive and industrial equipment markets that our company is focusing on, we anticipate sales growth, and for the current period, we expect sales of ¥978.0 billion.

Amidst the market backdrop of accelerated DX and the increasing threats in cybersecurity, our Network Business anticipates robust expansion across three business domains: Cybersecurity, Big Data, and Applications. Driven by the solid market growth in overseas business, we anticipate achieving business expansion surpassing the market growth rate.

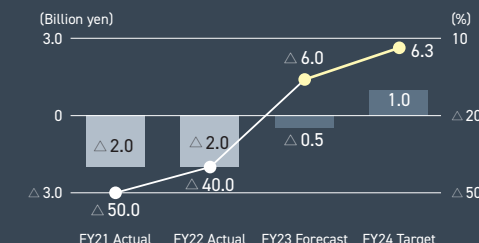
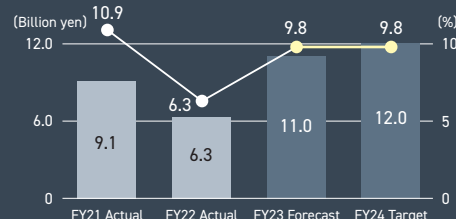
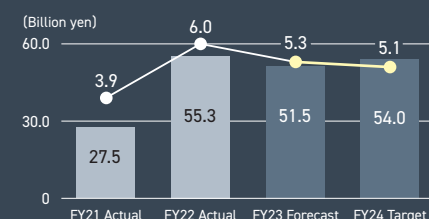
Among the six business themes, we are approaching commercialization in two domains—Smart City/Mobility and Smart Manufacturing. The development of in-house services and solutions is progressing smoothly in these domains and adoption is advancing among certain customers. Moving forward, we will continue to expand our services and solutions while striving to acquire the capabilities to support them.

### Sales Trend



### Operating Income Trend

■ Operating Income (Left Scale)  
● Operating Income Margin (Right Scale)



### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

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- Macnica, Inc. Website

# Contributing to the Creation of a Better Future Supporting the implementation and stable supply of cutting-edge semiconductors

We will increase not only our market share but our social contribution by responding in quality and quantity to society's rising semiconductor needs.

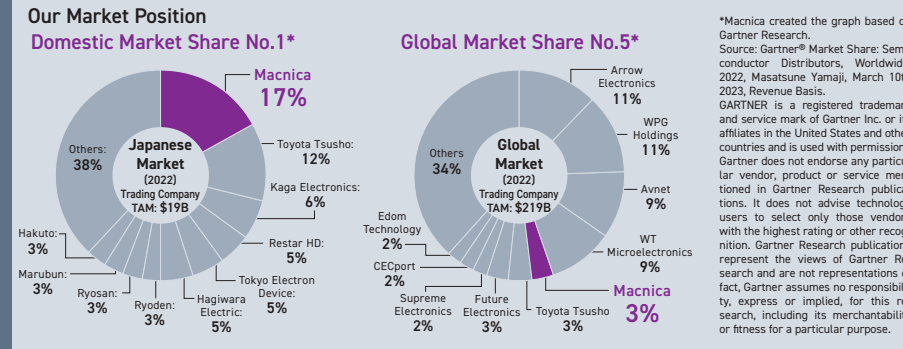
## Supporting No.1 Market Share in Japan Technical Strengths & Global Advantage

The main reason Macnica maintains its position as the No.1 semiconductor trading company in domestic share is undeniably our **technical capabilities**. The proportion of engineers among our employees is notably high, at about one-third. From the perspective of our clients, this means they can expect advanced technical support with their semiconductors. Even the latest highly-integrated semiconductors, **if purchased from us, our engineers provide design and product support closely aligned with the development department, enabling swift market releases**. In addition to these developmental expectations, elements like marketing strength, prompt outreach to clients, and after-sales support contribute to our ability to unearth latent needs and stimulate market demand, solidifying **our reputation as a Technology Trading Company that can create market demand (demand creation)**.

Another strength is our **global responsiveness**. Our company has bases in 17 countries and regions solely for the semiconductor business, and we are equipped with numerous multilingual staff. Many Japanese semiconductor trading companies primarily communicate with the Japanese entities of their overseas suppliers. In contrast, we **engage directly with overseas supplier headquarters, including startups without a Japanese entity, to source the world's most advanced technical information and introduce it to our domestic clients**. This has resulted in the perception that "With Macnica, one can obtain information unavailable from other trading companies."

Our global strength also provides advantages for clients' overseas production. Leveraging our global supply chain, **clients can seamlessly produce products overseas designed in Japan**. Should issues arise in factories, timely solutions can be implemented.

Why do we possess strengths that our competitors do not? One reason is that we are among the few independent semiconductor trading com-



panies in Japan. While many Japanese semiconductor trading companies started as affiliates of semiconductor manufacturers, Macnica does not have such an affiliation. When introducing advanced technologies from overseas, we had no choice but to develop our own technical capabilities. This **independent origin has become the foundation of our recognition as a technology trading company**.

## Trust Relationship with Suppliers

Another factor contributing to our company's growth is **the strong trust relationship with our suppliers**. We consider not only the user companies to which we deliver semiconductors but also the semiconductor manufacturers, our suppliers, as our "customers." Rather than imposing unreasonable demands on our suppliers, we seek mu-

tual success with both sets of "customers," ensuring that we too experience success alongside them. It's because of this stance that we are chosen by both parties.

Our aforementioned technical capabilities offer benefits to our suppliers as well. Our company specializes in providing a wide range of key devices, from **FPGAs\*** to analog ICs and memory used in conjunction with them, supporting our customers' designs. **Having numerous highly skilled engineers possessing these technical capabilities means that we can assure our suppliers of adequate sales volumes. This, in essence, acts as our "buying power," underpinning the stable growth of the semiconductor business.**

The recent global mergers and acquisitions among semiconductor manufacturers, which can lead to streamlining business transactions between merging companies, are considered a risk

Top 21 Semiconductor Manufacturers / Products					
AMD	○ <sup>*1,2</sup>	MediaTek	○	Renesas	○
ANALOG DEVICES	○	Microchip	○	Samsung	○
BROADCOM	○	Micron	○	SK hynix	○
Infineon	○	NVIDIA	○	Skyworks	○
Intel	○ <sup>*1</sup>	NXP	○	Sony	○ <sup>*2</sup>
KIOXIA/Western Digital	○	onsemi	○	STMicroelectronics	○
Marvell	○	Qualcomm	○	Texas Instruments	○

Selected by 16 of the world's top 21 manufacturers in the semiconductor market, which accounts for 80% of the market share, offering a wide range of Japanese and foreign semiconductors.

\*1: FPGAs only \*2: Handled by overseas subsidiaries

\* Field-programmable Gate Array is a type of **PLD** semiconductor that customers can program themselves.

## Semiconductor Business

ICs, Electronic Devices, and Other Business

### Business Strategy

- Expand market share in growth domains
- Expand high value-added solutions
- Developing commercial products for long-term growth
- Global strategy

### Akinobu Miyoshi

Representative Director and Vice President

Joined Macnica, Inc. in 1995, engaged in sales and marketing for the semiconductor business. Since 2011, responsible for overseas business, developing and implementing global strategies. Since 2019, Representative Director and Vice President, Macnica Holdings, Inc.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



factor for semiconductor distributors. However, in our case, we have experienced minimal negative impact. Instead, we see this as an opportunity and turn it into a chance. Due to our high technical expertise, global response capability, broad customer base, and extensive product range, we have a significant advantage over other distributors. This makes us a **reliable entity not only for our customers but also our suppliers**. We believe this is why we have continued growing steadily amidst the rapidly changing social environment.

### Social Change, Boosting the Semiconductor Business

The current boom in the semiconductor industry is because **social transformations require semiconductors**. For instance, everything from refrigerators to air conditioners is becoming digitalized, and in an IoT-centric society where everything connects to the network, there's a need for semiconductors everywhere. Additionally, as wireless communication transitions from 4G to 5G, data traffic is skyrocketing, necessitating advanced semiconductors that can handle high-capacity communication in all devices. Furthermore, emerging generative AIs like ChatGPT and the rapidly spreading use of AI require nu-

merous semiconductors for fast data collection and processing.

Previously analog processes are now becoming digital, inevitably increasing the demand for semiconductors. We are particularly focused on **two markets: industrial equipment and automotive**.

Industrial equipment has been our focus since our inception, and **our strength lies in being supported by a wide range of customers** rather than relying on one. Although the breadth of products is characteristic of a distributor business, semiconductors in particular, have diverse applications. Semiconductors are being incorporated into every factory and device due to IoT. There is a push for **automation and robotics** in various factories because of labor shortages, again demanding semiconductors. Additionally, in the context of **environmental concerns**, there is a demand for power semiconductors that enable more efficient, low power consumption production systems. All the environmental changes surrounding industrial equipment manufacturers demand semiconductors.

The automotive market is similar. **Considering the trends of CASE (connected, autonomous, shared, electric), the rapid progression of vehicle electrification, IoT integration, and autonomous driving has significantly increased the demand for**

**semiconductors**. The number of semiconductors in EVs is incomparably higher than in gasoline vehicles, making it a promising market considering the projected growth in EV production.

Of course, we are not disregarding other markets, but in the consumer sector, especially communication devices, although the market is expanding, the cycles of ups and downs are intense. Due to the large volume, profit margins tend to be low. Not only is there fierce price competition, but with many dedicated ICs, there is not much emphasis on technological competition to enhance added value by combining semiconductors. Therefore, we believe there is limited significance in focusing on this area. **We will concentrate on markets where our company can demonstrate its strengths and where stable growth can be expected**, aiming for steady growth.

### Social Significance of the Semiconductor Business

Not only in the semiconductor business, but the environmental changes in recent years have been intense. In addition to the social changes mentioned earlier, due to the spread of telework and an increased demand for stay-at-home activities resulting from the COVID-19 pandemic, the de-

mand for semiconductors grew even further. On the other hand, supply shortages caused by disruptions in the supply chain led to prolonged semiconductor shortages across various sectors.

This situation had the effect of rationalizing semiconductor prices, which had been unnecessarily suppressed until now. While this didn't necessarily have a negative impact on our financial performance, it provided us with an opportunity to reassess the social significance of our business.

For instance, when there was a shortage of semiconductors across various industries domestically, we, as a semiconductor trading company, were required to prioritize supplying sectors that are vital to people's lives, such as areas related to medical care or, during the summer, air conditioning, among others. **We deeply felt the increased role and responsibility we have in society as suppliers of semiconductors**, which have permeated every corner of society and become essential in people's daily lives.

To fulfill this responsibility, there is a greater need than before to stabilize the supply chain. Here, it is crucial to pay attention to the changing global environment. Global geopolitical risks, including the invasion of Ukraine, are shaking the semiconductor supply chain.

Amid concerns over semiconductor frictions

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

### FACTS & FIGURES

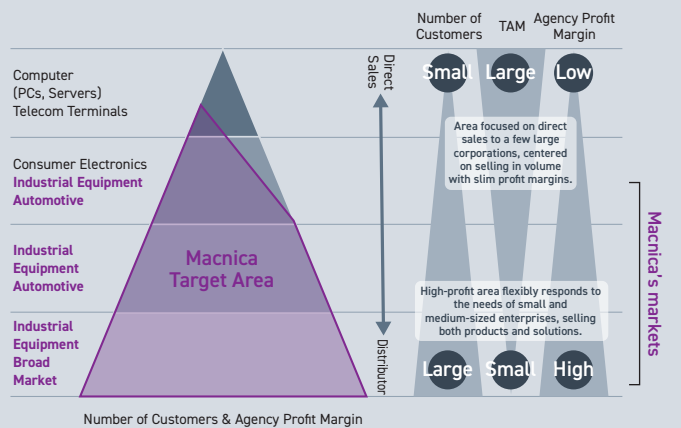
#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

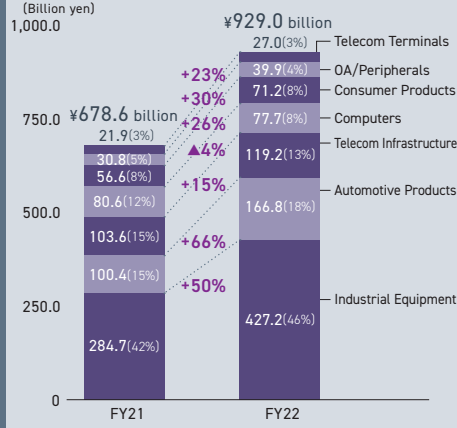
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- IR Library
- Macnica, Inc. Website

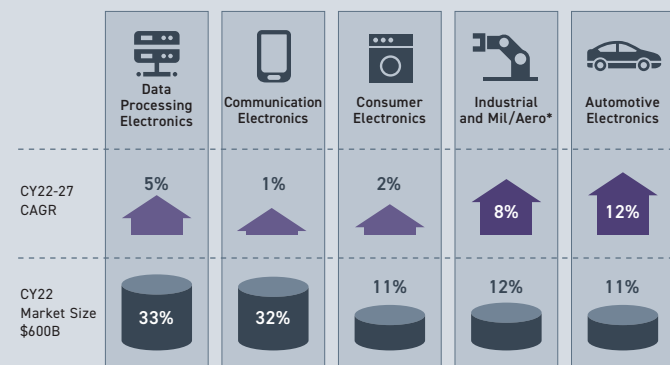
### Number of Customers by Application and Macnica's Targets



### ICs, Electronic Devices, and Other Business (by Application)



### High Market Growth Rate in Industrial Equipment and Automotive



Charts/graphics created by Macnica based on Gartner® research. Calculations performed by Macnica.  
Revenue Basis \*Industrial and Military/Civil Aerospace Electronics  
Source : Gartner, Semiconductor and Electronics Forecast Database, Worldwide, 2023 Update, Rajeev Rajput, Jun 30 2023  
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between the US and China, for instance, we are considering handling Chinese semiconductors to meet the demands of the Chinese market and intensifying our response in ASEAN and India, assuming the reduction in production by Japanese companies in China. We aim to **fulfill our supply responsibilities to our customers while carefully assessing the risks to our business.**

### Towards Achievement of Vision 2030: The Medium-Term Management Plan

In the Long-Term Management Concept and the Medium-Term Management Plan FY2022-2024 announced in May 2022, **the semiconductor business plays a pivotal role.**

Based on the strategy of focusing on markets where stable growth is expected, we have constructed a sustainable business model with low volatility, so we do not see any major concerns in terms of our performance outlook.

The greatest challenge during this Medium-Term Management Plan period will be **efficiently streamlining business operations** while growing the business and enhancing market share. We have long been promoting internal DX, such as the replacement of core systems and the visualization of KPIs, and we intend to extend this internal digitalization to our customers and suppliers in order to achieve more lean and muscular organizational management.

We have also reflected on the fact that we could have expanded our business faster if we had been quicker to recruit staff in the current tailwind. **Matching the speed of business growth with the recruitment of sufficiently high-quality human resources is a future challenge.**

Moreover, we will try to realize our corporate vision, "evolving into a **Services & Solutions** Company that continuously creates new value by connecting technology x intelligence around the world." **Semiconductors, we believe, can become a gateway to creating new value by addressing social challenges or catering to needs.** The semiconductors we sell will create some kind of service and benefit someone. The data obtained from this is analyzed and fed back to create better services. To secure a consistent position in this value cre-

ation cycle, **we need to do more than sell semiconductors or components individually. We must examine how they contribute to customers' products and services, all the way to the end of service.** By taking a bird's-eye view of the role of semiconductors in the overall business, their role in the service model, including that of customers, will continue to increase, and as a result, lead to the realization of a **Services & Solutions** Company.

Another key aspect is to be **actively involved in the evolution of semiconductor technology.** In recent years, hardware and software are becoming seamless, with security and AI embedded in semiconductor chips. **We are also stepping into the realm of software and firmware and suggesting specific applications to customers, which will lead to providing new value.** In addition, we have started to work in upstream processes, such as selling the creative technologies of Japanese ventures to overseas semiconductor manufacturers. We will contribute to the further development of the semiconductor industry and the realization of a more affluent society as an entity that can provide more and higher added value, rather than remaining within the framework of a conventional semiconductor trading company.

While the semiconductor business is only one of the components that make up Macnica, it is currently the major source of revenue and will continue to drive our growth in the future. The people who have left this business are now working in various organizations and other businesses, and we are proud to be a key player in terms of human investment. We are delighted that you could deepen your understanding of this business while watching Macnica's future growth.

## Macnica Cytech

Our headquarters have given us 100% trust and freedom and provide the support we need.

Macnica Cytech started its semiconductor business in China in 1998 and joined Macnica in 2008, with sales of \$70M at the beginning of 2008, growing to over \$3.3B in FY2022. (Including business transferred from Japan). Our headquarters have given us 100% trust and freedom to localize and globalize. Furthermore, they have provided us with substantial financial support, supplier relationships, and connections to various departments within the company. Over the past 14 years, we have worked with headquarters to overcome many challenges and build a strong, unified global Macnica brand. We will continue to expand our global franchise and grow our business while maintaining our leading position in Asia.

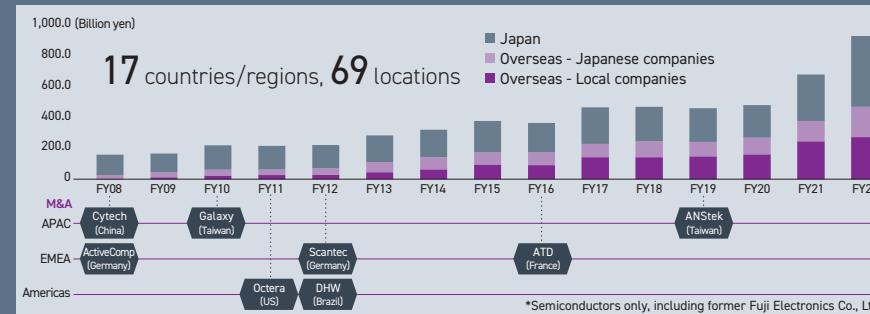


Johnny Chan  
CEO/President, Macnica Cytech Ltd.

### Semiconductor Business Group Structure



### Global Distribution



### Introduction / Purpose

#### CEO MESSAGE

**MACNICA, THE FIRST PENGUIN**  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

**VISION & STRATEGY**  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

**DISCIPLINE**  
—LIMITLESS RESILIENCE  
**Responding to Change**

### FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

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- Macnica, Inc. Website

## Network Business

### Business Strategy

- Expansion of Security Business
- Expansion of Big Data Business
- Expansion of Application Business
- Global Strategy

### Yusuke Kobayashi

Company President  
Networks Company  
Macnica Inc.

Joined Macnica, Inc. in 1997. Involved in overseas startup at ALTIMA Corp. (currently Altima Company, Macnica, Inc.) In 2015, appointed Representative Director and President. In 2019, appointed Executive Officer at Macnica Holdings, Inc. Since 2021, serves as Company President of Macnica Networks Corp.

## Supporting Society's Trust with 'The Latest and Best' Cybersecurity Support

Amid the escalating global threat of cyberattacks, Macnica, as a pioneer in integrating cutting-edge security technologies, stands as a distributor that supports society.

### Origins of Network Business and Its Expanding Scope

The history of the Company can be traced back to the introduction of a new US communications board manufacturer by a semiconductor manufacturer, a supplier to Macnica, which led to the Company handling 'systems' combining semiconductors, and the formation of our Systems Division. As its mainstay was network-related systems such as LAN cards, it was named 'Network Business', and was further spun off into a separate company, Macnica Networks, Inc, which was merged with Macnica, Inc. in October 2021 to form the present organization.

We believe that cybersecurity will become more critical as the use of information and communications expands, so we have expanded the domain of our business. In reality, the growth of security threats has accompanied the development of the information society. Technologies, products, and services related to security have been evolving, becoming increasingly diversified and sophisticated, including measures to prevent information leaks, unauthorized access, counter-

measures against malware and ransomware, and defense against targeted attacks. Consequently, the business scale of security-related ventures has expanded, with **security-related revenues now accounting for nearly 70% of the Network Business domestically.**

On the other hand, with the advent of the IoT we have entered an era where everything from refrigerators and automobiles to factory equipment is connected to networks. **This convergence of Cyber and Physical domains signifies an increase in potential attack paths and vulnerabilities from the attacker's perspective, while for enterprises, it amplifies the security threats.** Amid these demands for more comprehensive security measures that differ from conventional approaches, our strength in both cyber and physical capabilities comes into play.

### Proposing 'Best of Breed' Solutions

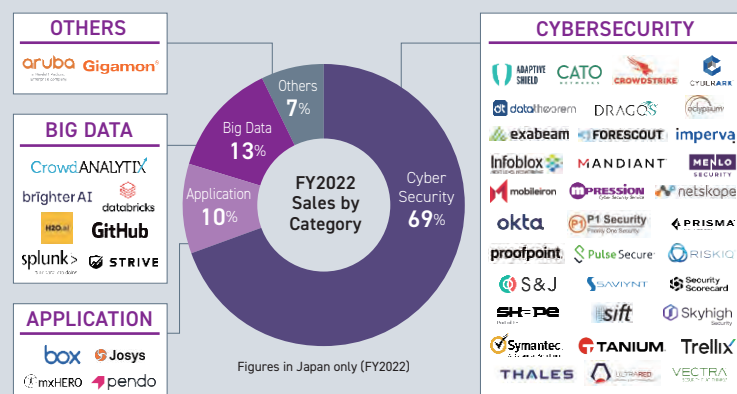
Macnica's positioning in the security business is that of a **distributor**. While often translated as "prime contractor" or "primary distributor," these

terms might not fully convey the essence of Macnica's role.

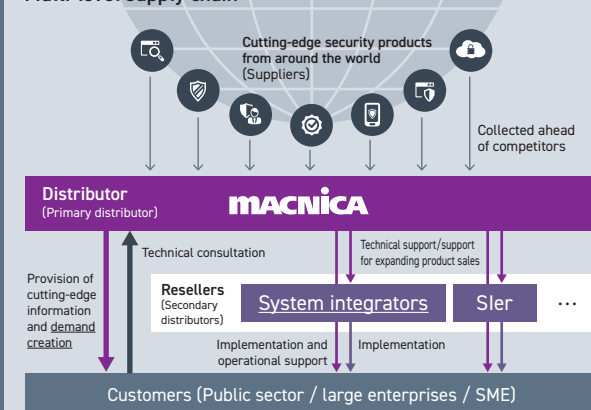
**Our role is introducing the world's most advanced security technologies, products, and services to customers and the market as quickly as possible, to guard against the threats of cyberattacks.** Many of our direct sales partners are secondary distributors called resellers, with system integrators (Slers) being at the center. Through collaboration with Slers equipped with expansive sales and support networks, we meet customers' security needs nationwide.

What is the significance of Macnica's position between suppliers and Slers? It lies in **combining the latest and best products and technologies from a diverse array of suppliers to propose Best of Breed solutions.** The realm of security encompasses a vast range of attack and defense technologies, coupled with rapid evolution, making finding the optimal solution a challenge. **The ability to engage with overseas companies' engineers in specialized discussions, networking and information-gathering capabilities spanning ventures and startups, the Ability to Discern promising**

### Network Business Product Portfolio



### Multi-level supply chain



### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

▶ Semiconductor Business

▶ Network Business

▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



technologies, and the ability to support customers—these attributes collectively make this endeavor possible. It is precisely due to this combination of attributes that Macnica, a rarity even on a global scale, has earned solid trust from suppliers and customer enterprises alike, establishing an overwhelming brand and position as a high value-added distributor in the security domain.

In recent years, with the global increase in security awareness, large IT platforms have emerged, offering cost-effective security solutions as part of their services. However, they provide the solutions by combining in-house group products and technologies, and their countermeasures inevitably tend to take a “middle-of-the-road” approach. In contrast, leveraging the insights of our Security Research Center **P.16**, we provide a Best of Breed selection of the world’s most advanced technologies, allowing us to cater to the demands of customers seeking authentic cyberattack countermeasures.

### Responding to Environmental Change, Focusing on Demand Creation

Looking again at the recent market landscape, the size of the security-related sector has continued to grow at a pace that exceeds the average of the entire IT market. This growth is underpinned by

the occurrence of cybersecurity incidents, fostering a heightened crisis awareness for cybersecurity throughout society. In recent times, besides threats targeting oneself, cyberattacks on business partners within the supply chain have caused one’s production lines to halt due to compromised factories and cases where hospital electronic medical records were inaccessible due to cyberattacks, potentially endangering lives. Furthermore, it has been reported that Russian hackers launched coordinated cyberattacks prior to the invasion of Ukraine. As attack methods become more sophisticated and technology advances, the need for more advanced security measures to safeguard businesses, organizations, and, ultimately, states from threats necessitates the constant new demands. While this environment holds promise for businesses, it also means that technological shifts are rapid, with the business landscape continuously evolving due to new entrants and the growth of startup companies among our suppliers.

In this context, Macnica focuses on demand creation. We are working to raise awareness of the specific risks and necessary countermeasures for customers with vague concerns over rising threats. Alongside seminars and lectures through individual visits, we establish Roundtable forums that bring together security officers within client

companies, such as Chief Information Officers (CIOs) and Chief Information Security Officers (CISOs), creating platforms for exchanging opinions and promoting an enhancement of security awareness within corporations.

### Sustaining Solid Growth with Foresight & ‘Discerning’ Investments

Reflecting on the current fiscal year’s performance, amidst an environment of rapid change, our achievement of sustained growth is significant. Global sales exceeded ¥100 billion, with a growth rate of around 20%, among the highest in the industry. The driving factor behind this growth is that the products and technologies of our suppliers, which we have been focusing on for several years, and supporting, including our investments, for a few years before the rapid market expansion, are now accurately meeting current market needs. In other words, it can be said that foresight and “discerning” investing have borne fruit.

To provide concrete examples, in recent years, the product most notably driving growth is from US-based CrowdStrike. Their strength lies in Endpoint Detection & Response (EDR), a technology that detects suspicious behavior like unauthorized access and viruses on terminal devices such as PCs positioned at the endpoints of networks and takes appropriate actions in response. This technology is a vital element within the “Zero Trust” trend, which verifies all reliability from scratch, and has been adopted by many companies.

Having connections with the founder of CrowdStrike, we signed the world’s first distributor agreement with them in 2013. **P.15** We foresaw the “Zero Trust” trend a decade ago and rapidly identified effective technologies, thus growing to become a major supplier in the security domain, achieving sales of over ¥10.0 billion in FY2022.

Not limited to CrowdStrike, our strategy is to constantly grasp the latest technology trends not only from Japan, but from around the world, such as the US and Israel, to find promising technologies, sometimes investing in them even before they are commercialized, and grow them together. Leveraging the global network of peo-

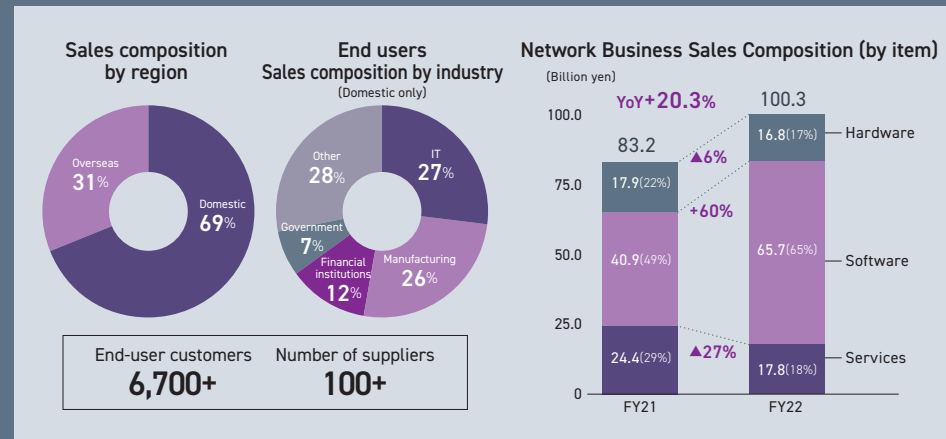
ple cultivated through more than 20 years of experience in the security field and our Ability to Discern technologies of the future, we are looking at new growth markets with an eye to the next 10 years.

### Continuing Investment in Growth Markets and Human Resources: Transforming the Business Model

For future growth, we are focusing on proactive investments in promising suppliers, as mentioned earlier, with an emphasis on establishing a foothold in high-growth markets and regions. For example, in 2023, we agreed to acquire CyberKnight, a company based in Dubai, UAE and signed a strategic partnership agreement. Despite being a startup founded in 2019, CyberKnight has become the largest cybersecurity distributor in the Middle East, specializing in Zero Trust Security. While introducing their outstanding technology to the Japanese market, we also aim to expand our business to the rapidly growing Middle Eastern market, as well as neighboring markets like Turkey and Africa where future growth is anticipated.

Simultaneously, we are also emphasizing developing unique applications. For instance, to enhance the usability of the cloud storage service “Box,” we offer a tool called “Hakonnnect” that manages multiple accounts simultaneously. This is just one example of the solutions unique to Macnica that we are creating, to further transform our business model into one with higher added value.

In terms of proactive investments, the investment in human capital is equally important. It’s a matter of gaining an edge by establishing strong relationships with suppliers and customers before the market flourishes, and we will continue to secure exceptional human resources. However, we believe there are limitations to a business model that relies overly on people. Hence, we are also focusing on investments in IT, including DX, and creating systems which allow us expand our business without relying on increasing personnel, such as standardizing and streamlining back-office operations.



## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica’s Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

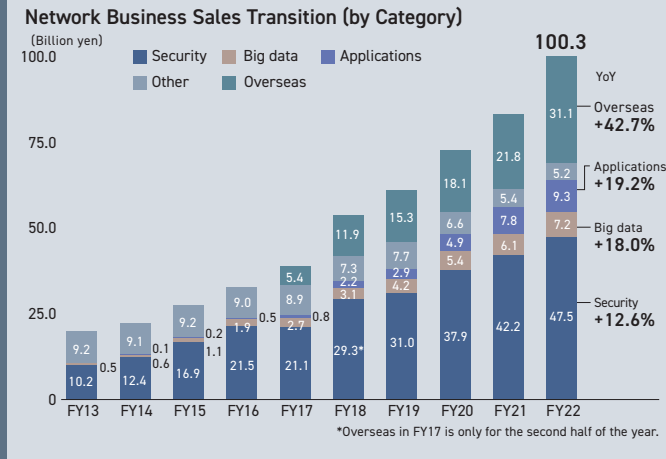
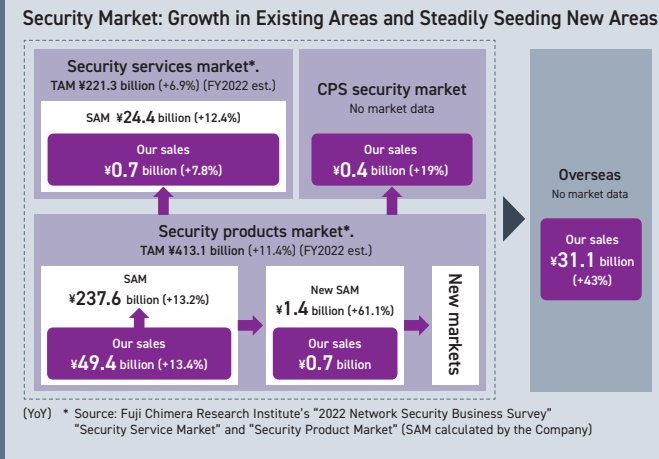
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- IR Library
- Macnica, Inc. Website

Furthermore, what is essential for the growth of Macnica Group overall is the **integration of capabilities with the semiconductor business**. The semiconductor sales department possesses ample resources (human resources) in both quality and quantity and has built deep relationships, particularly with customers in the manufacturing sector. By sharing these resources, we can expand performance more efficiently and **accelerate a Service & Solutions model** that fuses strengths between the network business and the semiconductor business.

### Leading the Transformation to Vision 2030

Currently, Macnica is embracing Vision 2030 and undergoing transformation into a Services & Solutions Company. While the CAGR of the semiconductor market is 3-5%, the CAGR of the security market is over 7-8% in Japan and over 10% globally. Macnica has achieved a growth rate of 20% CAGR over the past 10 years. It is precisely for this reason that we recognize the need for the network business to lead towards realizing our vision.

The current market perception seems to be "Macnica equals its semiconductor business," but as the proportion of network business, which boasts high profitability and substantial growth potential, continues to increase, the market's expectations are likely to increase as well. **Whether in the context of aiming to become a Services & Solutions Company or in the context of shedding the image of a semiconductor trading company, expanding the network business globally is the most straightforward growth strategy.** We hope you will anticipate further strides in Macnica's network business, leading our revenue growth and contributing to the positive development of society, now and in the future.



#### Network Business Group Structure



### Netpoleon Solutions

Netpoleon started its network security business in 2000. In 2017, Netpoleon joined Macnica Networks Co., adding USD86M to Group sales in 6 countries. In 2022, Netpoleon reported sales of USD217M in 11 Asia Pacific countries.

While organization can be global, business is always executed locally, for better business result. Macnica is very supportive of Netpoleon management in such business execution over these years.

Netpoleon has always strived to be No. 1 VAD for CyberSecurity in Asia Pacific. And this vision is supported by Macnica. With Macnica Group's drive toward CPS Security, Netpoleon sees itself a strategic contributor to achieving such vision.



Francis Goh Teck Hoe  
CEO, NETPOLEON SOLUTIONS PTE LTD

#### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

## Leveraging Knowledge Cultivated by Macnica, Creating New Social Value in the “Now”

Utilizing advanced technologies and know-how accumulated in existing businesses, with a deep understanding of customer needs, we will create new solution services that contribute to solving social and customer issues.

### Creating New Business Models from Strengths in Existing Core Businesses

Macnica has ventured into various new businesses derived from existing sectors such as semiconductor and network businesses. In 2022, we introduced the **CPS Solution** as a strategic format for these new ventures, channeling the efforts of all involved towards realizing this new business model.

CPS Solution involves merging the strengths of the Physical realm, like sensors and IoT, cultivated by the semiconductor business, with the strengths of the Cyber realm, like big data and AI, nurtured by the network business, to create unique value and address social and market issues with a new business model. [▶ P.28](#)

ductor devices capable of instantly assessing and processing data captured by in-vehicle cameras and sensors to detect obstacles and evade danger. **Macnica has vast experience with semiconductors capable of ultra-high-speed processing, including NVIDIA products. Leveraging this expertise, we embarked on our journey into the Smart Mobility sector.** Subsequently, through contracts with AutonomouStuff and the introduction of LiDAR and various sensors, we significantly expanded our activities in the Smart Mobility sector, including customizing validation vehicles for each customer and operating Navya's auto-

mous vehicles on public roads.

This approach of connecting customer challenges with the latest technology and proposing new solutions leads to a deeper understanding of cross-industry challenges and the accumulation of knowledge. This cycle is the growth model for the CPS Solutions Business.

### Importance of Social Challenges, Compatibility with CPS Solutions

**Currently, the CPS Solutions Business encompasses six themes.** We have been working in di-

#### Six Themes in CPS Solutions Business

**Business & Economy**

**Smart Manufacturing**

Leveraging insights from “field” and “technology,” we stand alongside challenges in the manufacturing industry to accelerate business efficiency and management innovation through digitalization.

**CPS Security**

In response to the proliferation and expansion of networks, we offer advanced and diverse security solutions for the realization of a safe and secure CPS society.

**Life & Society**

**Smart City/Mobility**

Beginning with autonomous driving, we propose optimal solutions to address technical challenges faced by vehicle manufacturers and management challenges faced by MaaS providers.

**Healthcare**

Aiming to create a society where everyone, everywhere can receive quality medical, caregiving, and preventive services, we offer innovative healthcare solutions globally.

**Green & Earth**

**Circular Economy**

To pass on earth's rich environment to the next generation, we provide a variety of solutions that contribute to the establishment of a decarbonized society and an advanced circular society.

**Food & Agritech**

Focusing on technological innovations in primary industries like agriculture and the food industry, we offer solutions for ensuring sustainable and stable food supplies in the future.

## CPS Solutions Business

### Business Strategy

- Business development to solve social issues in six themes
- Expansion of CPS platforms
- Strengthening capabilities for long-term growth

### Atsushi Sato

General Manager  
Strategic Innovation Business Group  
Macnica, Inc.

Joined Macnica, Inc. in 1996, after working in a financial institution. Has over 20 years of experience in product management for overseas startups in Silicon Valley and Israel. From 2019, current position and Executive Officer, Macnica Holdings, Inc., AI/IoT, smart factory, autonomous driving, smart city, engaged in launching new businesses using digital technology.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

#### FACTS & FIGURES

#### View by Keyword

<b>Value Creation</b>	<b>Human Capital</b>
<b>Diversity &amp; Inclusion</b>	<b>ESG</b>
<b>Shareholder Returns</b>	<b>Dialogue with Investors (Engagement)</b>
<b>Glossary</b>	<b>Table of Contents &amp; Editorial Policy</b>

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



verse technology fields such as quantum computing and robotics, but the chosen business themes align with social challenges we want to address and exhibit high compatibility with CPS Solutions (and DX).

Though market size, stage, and growth may vary, the urgency and significance of these themes is universal. Circular economy and smart city/mobility especially are challenges governments are actively addressing.

Additionally, these themes were selected as the knowledge from our existing businesses can be applied in these domains. Semiconductor expertise contributes to wearable devices and vital sensing in the healthcare sector, while CPS security aligns with the network business's forte. Rather than speculative investment in growth markets, we seek to replicate our strengths in adjoining fields.

Of particular emphasis is data utilization. Without data, there is no need to connect Cyber and Physical realms, rendering Macnica's efforts meaningless. Data allows us to extract insights and leverage them for improvements and countermeasures. This is the essence of the CPS Solution approach.

As for deployment regions, overseas achievements are steadily accumulating. For instance, Smart Mobility projects are planned across ASEAN countries, including Indonesia, which plans to relocate its capital in 2024. The demand for Smart Manufacturing has also increased, as Japanese companies expand domestic DX to overseas factories. Leveraging our technical strengths and insights from global business operations, we strive for further growth overseas.

### Enhancing Business Maturity, Contribution to Problem Solving

In recent years, several businesses have substantially grown on the business front and are contributing to overall performance. A prominent example is the Smart Mobility sector, where the lifting of Level 4 autonomous driving restrictions in April 2023 has led to an increase in local governments across the country considering its implementation. The number of municipalities we

are actively engaging with has grown by about 20 in FY2022 alone, giving us a sense that social implementation is truly beginning. P.18

More local governments are focusing on creating mechanisms that can be sustained and connected to actual economic impact, rather than relying solely on temporary subsidies. For instance, in Yokkaichi City, autonomous driving is being used as a key content to control pedestrian flow and revitalize the local economy under the theme of "People-Centered Urban Development." Macnica not only provides support on the system side but also offers financial assistance through the corporate version of the furusato nozei (hometown tax donation) system.

In the Smart Manufacturing sector, simulation software that visualizes the effectiveness of digitization in factories is performing well. As often mentioned, the challenges facing Japan's manufacturing industry go beyond pre-DX issues. Besides introducing digital technologies for efficiency, there is a demand to extract and improve wasteful aspects of business processes. To address this, we have introduced software that utilizes digital data to recreate the real world in a virtual space, known as Digital Twin, to visualize the results of DX. This approach allows for testing with Digital Twin before investing time and money into full-fledged DX, promoting practical implementation. The scope of application has expanded beyond manufacturing to areas like retail stores and caregiving facilities, showing potential for further growth.

The timing of business growth varies by domain, but by consistently making necessary investments considering social priorities, we aim to enhance business maturity and contribution to problem-solving.

### An Ecosystem that Emphasizes Co-creation based on Empathy

The power of talent is indispensable for generating and expanding new businesses. If you have been conducting research in the specialized field that our company requires during your university years or if you are a multilingual individual capable of engaging in dialogue, it is possible that you

#### Expansion of Ecosystem



\* FY2021→FY2022, figures as of the end of the fiscal year

may be assigned as a valuable asset even as a new graduate. Furthermore, when our capital and business partners possess exceptional engineers, we can complement capabilities as co-creation partners. Furthermore, rather than attempting to handle everything internally, we will consider finding appropriate partners to address areas where we need more technology or personnel, or engage in capital and business partnerships.

This is why we value Co-creation based on empathy. No matter how much required technology or ability you may have, alignment in principles and goals is necessary to create and nurture a collaborative business. This is Macnica's stance, and we maintain this approach not only with technology partners but also in relationships with customers, local governments, and other business partners.

### Pursuing Customer Value, The Reproducibility of Success

The CPS Solutions Business is built on leveraging our strengths to tackle social issues. We do not have a short-term view like "Let's try it, and if it

doesn't work, we'll withdraw." Therefore, our partners trust us for business continuity. Our KPIs are not limited to immediate sales or quantifiable short-term factors; we also emphasize long-term and qualitative aspects. Instead of merely focusing on how many autonomous vehicles were sold or the revenue generated, we value the impact on municipalities that implement them—increased tax revenue and employment leading to genuine revitalization—as the actual value of Macnica.

I particularly commend not only the numbers and amounts, but customer endorsements and repeat orders. This, in essence, validates our services & solutions as "genuine." Moreover, when we can replicate success by introducing other customers or expanding to another municipality, that's when we genuinely sense we have established a sustainable new business. In recent years, the reproducibility of success has been increasing, giving us a strong sense of accomplishment. Going forward, we will continue the cycle of seeking out even more exciting technologies, transforming them into services that contribute to solving social issues, and offering them to society.

#### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

▶ Long-Term Management Concept: Vision 2030

▶ Medium-Term Management Plan: FY2022-24

▶ Financial Highlights

▶ Summary by Business

- ▶ Semiconductor Business
- ▶ Network Business
- ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

TOPICS [Case Study: CPS Solutions]

We are working towards establishing a Services & Solutions Company that can contribute to addressing social issues, environmental problems, and the creation of a future digital society. We would like to introduce the topics of our ongoing CPS Solutions Business.

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

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- IR Library
- Macnica, Inc. Website



Advancing Care Services

Becoming a DX Co-creation Partner  
Medical Care, Caregiving, Wellness, and Smart City

The introduction of DX to caregiving and healthcare has been notably slower compared to other industries. In light of this, since 2022, Macnica has deeply resonated with the mission of the Jikeikai Group (Aomori Prefecture), which is dedicated to regional contributions through digitalization. We are collaborating as a DX co-creation partner in the fields of medical care, caregiving, wellness, and smart cities. Utilizing Macnica's cutting-edge digital technology, we aim to enhance the value of services, reduce staff burdens, alleviate labor shortages, and contribute to regional revitalization.

Efficient Bathing Operations

Applying digital twins used in factories to caregiving settings, an automated bathing schedule is generated when inputting the conditions and attributes of residents. Additionally, by simulating the reduction in bathing task time based on the introduction of specific bathing facilities, appropriate equipment investments can be made.

Monitoring Residents

Bed sensors allow for the detection of residents leaving their beds, vital sign assessments, and sleep reports. This leads to a reduced burden on night shift duties and improved care operations quality.

Indoor Air Quality Monitoring

Constantly monitoring indoor air quality using air quality sensor devices, combined with deodorizing disinfecting equipment, addresses odors, mold, bacteria, and viruses. Moreover, maintaining a safe and comfortable air quality environment while automatically controlling the On/Off air conditioning systems contributes to energy efficiency and cost reduction while providing a healthy living environment.

Bed sensor User Risk Management <Implemented>	Digital twins Improved efficiency of bathing operations <Implemented>	Digital twins Preliminary study for introduction of bathing facilities <Implemented>	Air quality monitoring Odor sensor <Implemented>	Service robot Improved efficiency of receptionist operations <Implemented>	Virus sterilization LED Infection control measures <Implemented>
Radiant heating/cooling and changing room service improvement <Planned for 2023>				Centralized Power Management System <Planned for 2023>	
Dry heat sterilization weight reducer Disposal of industrial waste such as diapers <In Verification>	Smart glasses <Implemented>	Autonomous driving <In Verification>	Frailty prevention <In Verification>	BrainTech <In Verification>	Air Quality Monitoring WELL Certified <Planned for 2024>



Mitigating Accidents Caused by Forklifts

Streamlining Video Analysis to Reduce Logistics Site Risk

Sompo Risk Management Inc. offers a forklift operation diagnostic service aimed at safety and disaster reduction at logistics sites. In this service, a drive recorder is installed on the forklift to capture data such as steering actions, accelerator, and brakes, as well as video information of the forklift's tines. The accumulated data is analyzed to identify operational risks at the site, and suggestions for improvement are made. Previously, it was problematic that visual inspection of videos took a considerable amount of time and that the points of interest varied depending on the observer.



In the video analysis solution proposed by Macnica using AI, we successfully identified dangerous driving behaviors with an accuracy of approximately 97%, leading to a significant reduction in work hours. From the prototype phase, we have demonstrated an understanding of on-site challenges by providing an operational interface with future applications in mind. Our technical capabilities in developing high-accuracy AI models from limited data and our ability to complete the implementation in about three months, were highly appreciated. Moving forward, we aim to contribute to the advancement of risk diagnostic consulting services and will continue to support the deployment of various video analysis solutions in the logistics arena.



Towards Sustainable Plant Factories

Contributing to Stable Production of Wasabi through AI x Sensing Solutions

Recently, due to the boom in Japanese cuisine, the demand for wasabi overseas has been increasing. However, wasabi, which requires the right water temperature and clean water for proper growth, presents a challenge for new entrants. As a result, domestic production is also on the decline. Addressing this, agritech venture NEXTAGE Co., Ltd. has developed an indoor closed-type plant factory that enables the stable production of wasabi. Macnica, in February 2023, formed a capital and business partnership with NEXTAGE, focusing on enhancing cultivation planning and management using AI and sensing technologies.



The plant factory DX service offered by Macnica, "Farmalize by macnica" can devise the best cultivation plans by correlating "environmental data" such as temperature, humidity, sunlight intensity, CO<sub>2</sub> levels, and water temperature with "growth data" like leaf density, color, and stem size detected by the AI model. By integrating high-precision sensors, automated harvesting robots, LEDs for plant growth, and DX into one solution, and leveraging the insights to support agricultural DX in 10+ companies, we aim to optimize total costs and improve profitability, while contributing to a sustainable and steady food supply.



Pioneering Tomorrow's Smart City Autonomous Driving Business

P.18



# 04 IT & DX Strategy

## Macnica DX, an Ecosystem of Data to Enhance Organizational Capability and Maximize Capability

### Macnica's IT & DX Strategy

Through the comprehensive utilization of IT and digital technologies, Macnica aims to ensure the stability of our business by enhancing resilience and to achieve rapid and flexible value creation by improving agility. By doing so, we are preparing the groundwork to nurture innovative capabilities. This underpins our transformation, as set out in Vision 2030, into a Services & Solutions Company that balances both social and economic values.

### Strengthening Organizational and Individual Capabilities through IT & DX Measures: Transformation, Growth, and Foundation

Nowadays, it is impossible to proceed with daily operations without using IT and digital technologies, and their importance is ever-increasing. It's no exaggeration to say that how well a company harnesses digital capabilities will determine its fate. As indicated in our whole company policy, Vision 2030, to enhance the corporate value that balances social and economic value, it is imperative to set up an environment where people and information can move freely across the organization and where management, business divisions, and corporate divisions come together to increase their proficiency in utilizing digital tools and strive to improve operational productivity and efficiency.

In the IT department, considering these backgrounds, we have laid out measures to realize the IT & DX strategy from the perspectives of Transformation, Growth, and the supporting Foundation and have been pushing these forward based on our roadmap. Moving forward, we will continue to steadily advance each initiative towards realizing Vision 2030.

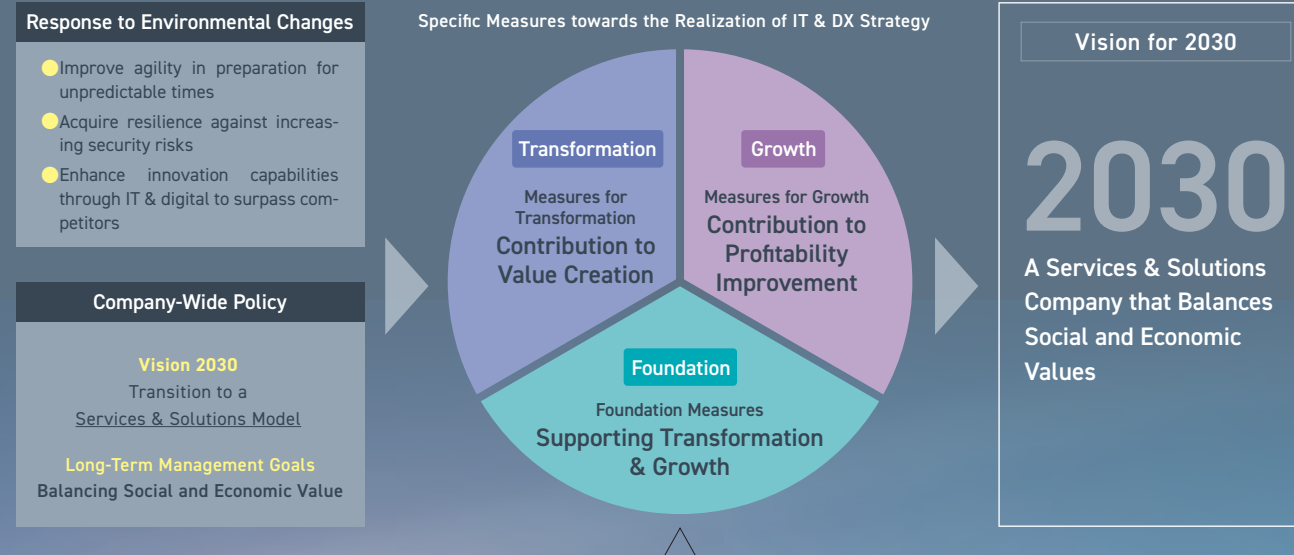
#### Keigo Ando

General Manager, Corporate IT Group  
Macnica, Inc.

Joined Mitsubishi Corporation in 1989, consistently engaged in IT-related business. He has held overseas assignments in the United States and Thailand, named President of an IT subsidiary, CIO of business companies, and Head of corporate IT department. In 2021, joined Macnica, Inc. and appointed current position and Executive Officer, Macnica Holdings, Inc.



[Overall Image of IT & DX Strategy]



Towards Vision 2030, we are progressively implementing measures in the areas of transformation, growth, and the foundational infrastructure that supports them. In the future, we will shift from a structure where the IT headquarters leads business process streamlining and data utilization, to a structure that supports digital utilization driven by business units. We will accelerate efforts towards achieving IT & DX strategy.

Roadmap for promoting IT and DX measures towards Vision 2030		STEP 1 → 2022	STEP 2 2023 → 2027	STEP 3 Beyond 2028 →
<b>Transformation</b> Measures for Transformation Contribution to Value Creation	<ul style="list-style-type: none"> <li>Strengthen customer touchpoints through the introduction of next-generation CRM</li> </ul>	<ul style="list-style-type: none"> <li>Building an IT and digital foundation for swift and flexible value creation</li> <li>Promoting user-driven application development</li> </ul>		
<b>Growth</b> Measures for Growth Contribution to Profitability Improvement	<ul style="list-style-type: none"> <li>Promote unified data management &amp; utilization with the next-generation data integration platform</li> <li>Enhance inventory &amp; delivery date management efficiency and business efficiency with next-generation SCM and ERP</li> <li>Automation of order operations through RPA</li> </ul>	<ul style="list-style-type: none"> <li>New foundations utilizing data virtualization</li> <li>Efficiency improvement of the global supply chain through the utilization of IT and digital</li> </ul>		Contributing to business transformation and enhancing Macnica's corporate value through IT and digital development platforms
<b>Foundation</b> Foundation Measures Supporting Transformation & Growth	<ul style="list-style-type: none"> <li>Organizational structure change</li> <li>Strengthen IT risk responsiveness through security environment, operation, and system maintenance</li> </ul>	<ul style="list-style-type: none"> <li>Acquisition and development of IT and DX human resources that contribute to the planning and implementation of IT and DX initiatives</li> <li>Transformation towards a workstyle not limited by time or location, using IT and digital</li> <li>Strengthening IT management through the establishment of IT investment and cost management structures</li> </ul>		

Macnica was certified as a DX Certified Operator based on the DX Certification System established by the Ministry of Economy, Trade and Industry on May 1, 2023.



### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

#### ▶ IT & DX Strategy

#### ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



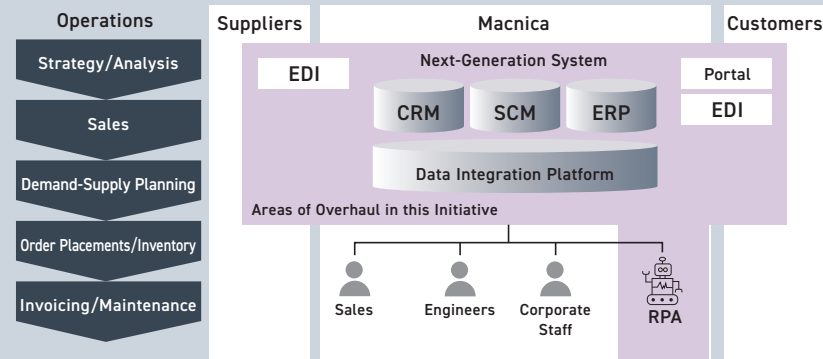
Step 1 Key Initiatives

Next-Generation System and RPA Implementation

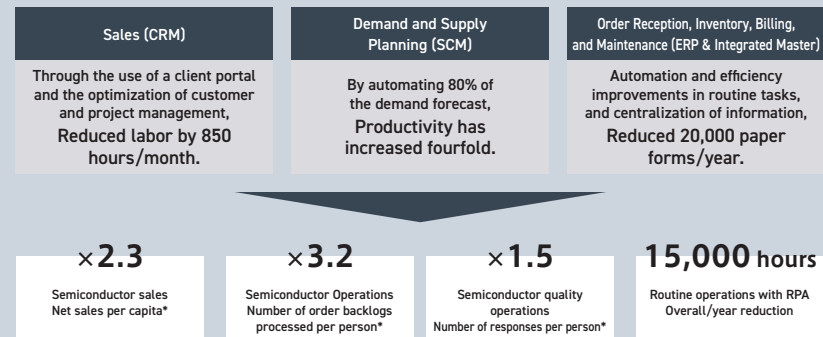
Transformation Growth

Achieving Business Automation and Efficiency through Next-Generation System and RPA Implementation, Contributing to Improved Employee Experience (EX) and Customer Experience (CX)

With the goal of doubling the productivity in our semiconductor business, which constitutes a significant portion of our revenue, we have completed the overhaul of systems that manage various processes across the value chain, from sales to order placements, inventory management, and maintenance. By integrating multiple systems centered around CRM, SCM, and ERP, we have achieved automation and efficiency in operations while also contributing to the value provided to our clients.



Currently, the interconnectivity of various systems has increased, and specific results can be observed in areas such as enhanced accuracy in supply and demand forecasting through SCM, as well as the transformation of employees' work styles through IT infrastructure development. Business capabilities have been elevated in each field. Going forward, by increasing the volume and quality of data, we will further enhance its effectiveness. As Macnica expands its business, we will continue to conduct operations effectively while keeping the increase in personnel to a minimum.



\*Comparison with before the system introduction (The timing of system implementation varies, so the comparison year is not uniform).

Organizational and IT Structure Change

Foundation

With the New Organizational and IT Structure, Achieving Faster IT Responses to Management Policies and Challenges, Accelerating Identification, Prioritization, and Resolution of Operational Issues

In a rapidly changing business environment, to swiftly and accurately address diversifying needs, Macnica revamped its organizational structure in April 2021 and established a new IT department directly under the president. Additionally, aiming for the management to aptly grasp the latest digital technology trends and the status of our in-house systems, weekly executive meetings are held where discussions and progress reports are centered on IT and DX.

Beyond these company-wide structural changes, within the IT department, efforts have been intensified to identify business challenges, set priorities, and enhance problem-solving speed. This was achieved by a reorganization that clarifies role allocations and functions.

In FY2022, we restructured into an "operation-specific organization" where specialists in "problem analysis and solution planning" converge to focus on customer value, and a "technology-specific organization" comprised of experts with advanced skills related to implementation strategies. As a result, compared to the previous year, the number of PoC\* projects within the company doubled, leading to a steady increase in the number of resolved issues. In the future, while retaining ownership, each organization will continue to drive initiatives towards value creation, aiming for even faster problem resolution.

\* Proof of Concept is a process of validating whether ideas considered beforehand are effective for solving issues and feasible from a technical perspective.

Strengthening IT Risk Response

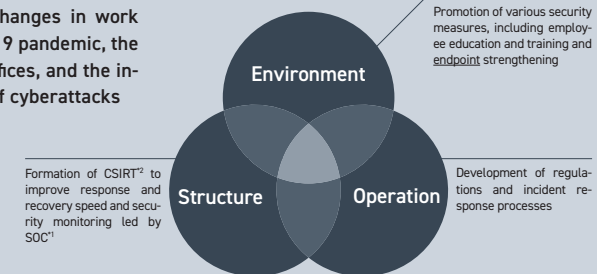
through Security Environment, Operation, and Structural Enhancement

Foundation

Building a Secure Digital Environment and Enhancing Resilience

To strengthen the Macnica Group's IT governance and risk response capabilities, we established a robust system to provide a secure digital environment that enables working "anytime, anywhere, with anyone," developed operations for overseas base security governance, and ensured swift and robust defense, detection, response, and recovery measures against cyberattacks.

Responding quickly to changes in work styles due to the COVID-19 pandemic, the expansion of overseas offices, and the increasing sophistication of cyberattacks



\*1: Security Operation Center is an organization specialized in continuously monitoring systems and dedicated to detecting and analyzing cyberattacks.

\*2: Computer Security Incident Response Team is a team that responds when a security-related incident occurs.

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN —LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY —LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE —LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

Step 2 Key Initiatives

User-Driven Application Development Promotion

Transformation

Building a secure foundation that enables anyone to quickly develop the necessary applications, even in the face of an engineering shortage, to enhance Macnica's competitiveness

While the business landscape demands swift IT/digitalization aligned with the pace of business expansion, there is also a growing social challenge of shortage in engineering talent. To maintain and enhance our competitiveness under these circumstances, we are introducing a new-generation development platform that enables non-engineers to develop systems required for business operations quickly. This will provide an environment for rapid service development (value creation). Specifically, we will implement low-code development tools highly compatible with existing groupware. We will establish a secure development foundation through authorization controls and data loss prevention measures. Furthermore, while developing templates, we will acquire and nurture members who will become ambassadors within the business departments. We aim to create a system within the business departments that enables easy development.

This will enable us to swiftly develop applications that address the needs of the field, ensuring that we do not miss out on business opportunities. Additionally, it allows for allocating development efforts to more challenging and higher-priority projects, thus improving the organization's competitiveness.

Building New Foundations Utilizing Data Virtualization

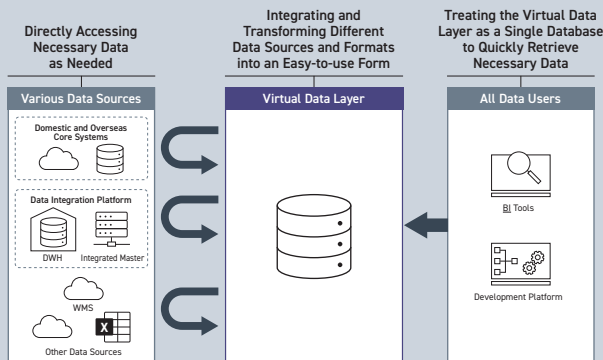
Growth

Contributing to increased productivity in an environment where "desired data can be easily found and analyzed"

With the full-scale operation of next-generation systems, there has been a significant increase in the volume of internal data within the company. Visualization of data assets and improved processing performance are in demand. We are promoting data virtualization to flexibly and effectively utilize our data integration foundation. This will lead to improved work efficiency and business speed.

Specifically, by virtually combining multiple data sources to enhance searchability, we will prevent data assets from becoming a black box. Furthermore, it will be possible to improve processing speed without being constrained by the processing capabilities of local terminals.

Additionally, we aim to reduce development efforts related to data acquisition and analysis by 50% and address the issue of an engineering shortage.



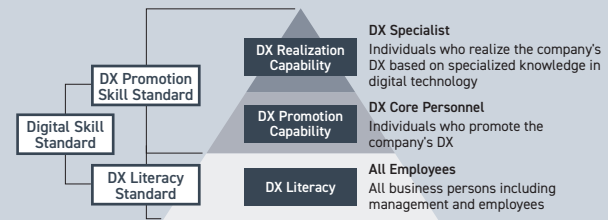
Acquiring and Developing IT & DX Human Resources

Foundation

to Support the Planning and Execution of IT & DX Initiatives

By Improving Company-Wide IT & DX Literacy and Securing and Developing Specialized IT & DX Human Resources, Macnica Accelerates Innovation towards Vision 2030

To enhance the IT and DX literacy across the entire Macnica Group, based on the DX Literacy Standard<sup>1</sup>, we have formulated a DX Human Resource Development Program for all employees. Additionally, while strengthening the recruitment of mid-career professionals with advanced expertise, we have established an educational program for the IT department based on the DX Advancement Skill Standard<sup>2</sup>. Through these efforts, not only are we fostering a mindset shift where every employee across the group sees DX as a more relevant matter,<sup>3</sup> but we are also setting up a situation where, from Step 2 onwards, the IT department can execute high-quality IT and DX measures. Through these initiatives, we aim to accelerate innovation throughout the entire group.



<sup>1</sup> Guidelines defined by the Ministry of Economy, Trade and Industry that define the abilities and skills all business personnel should possess.

<sup>2</sup> Guidelines defined by the Ministry of Economy, Trade and Industry and the Information-technology Promotion Agency that define the roles and skills to be acquired by personnel promoting DX.

Strengthening IT Management Capability

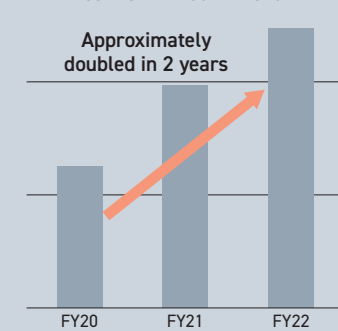
Foundation

through the Establishment of IT Investment and Cost Management Mechanisms

Accelerating DX Investment that Contributes to the Company's Transformation and Growth through Optimal IT Investment and Cost Management

With the growth in sales, our DX investment has also doubled over the past two years. Moving forward, to ensure stable DX investments commensurate with the scale of our business, we will introduce an IT investment and cost management system. We will visualize and analyze all IT investments and costs using our uniquely defined strategic categorizations based on investment objectives. This will help us identify potential operational maintenance costs that can be reduced, achieving optimal IT investment and cost allocations that support the overall company strategy. By cutting wasteful operational maintenance expenses, we can redirect the surplus funds towards DX investments and continue to focus on ongoing DX investments in line with sales growth.

DX Investment Amount Trend



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business

▶ IT & DX Strategy

▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website





## Shigeyuki Sano

Executive Advisor

Joined Macnica, Inc. in 1981. In 1997, he was appointed Director and General Manager of the Accounting Department. Served as chief IR since listing on the TSE Second Section in 2000. In 2015, became Director of Macnica Holdings, Inc. Retired as Director and appointed current position in 2023.

# 05 TALK

## Financial Strategy

In June 2023, Shigeyuki Sano, who served as Chief Financial Officer (CFO) for over 20 years, retired as finance officer, and Makoto Okawara assumed his new position. Through a dialogue between the old and new CFOs, we would like to share the features and strengths of Macnica's financial strategy towards Vision 2030.

### FY2022 Review

**Sano** Consolidated net sales were ¥1,029.3 billion, consolidated operating income was ¥61.6 billion, and consolidated net income was ¥41.0 billion, all achieving FY2024 targets indicated in the Medium-Term Management Plan two years ahead of schedule. In our core semiconductor business, demand for industrial equipment and automotive applications was high worldwide, and sales of security-related network products increased significantly due to work style reforms and the spread of remote work. In particular, many semiconductor transactions are denominated in foreign currencies, the depreciation of the yen has been a tailwind, and the currencies converted to Japan yen increased to our benefit.

Over the past few years, we have repeatedly revised our quarterly earnings upward. This is a result of our Ability to Discern and our Technical Capabilities, recognized by suppliers and customers in the semiconductor business, and our expanding trade domain has positively affected our business performance. In addition to our earnings growth, increased sales and profits in FY2023 led to an opportunity to showcase our superiority, and as a result of communicating our business strategy focusing on CPS Solution Business and Network Business as well as Semiconductor Business to shareholders and investors, we've gained further expectations from them.

However, there are concerns. Import costs for network and security-related products are increasing, and the rapid rise in interest rates in the United States is leading to increased financing costs, with

remaining challenges in hedging against exchange rate fluctuations. Additionally, the interest in our business is still primarily centered around the semiconductor market. We have high hopes for Mr. Okawara, who has an extensive background in finance at a major general trading company, to improve in these areas.

**Okawara** Having worked in the financial field of a major general trading company for over 30 years, I find Macnica to be a very intriguing entity, drawing from my experience in the transition from trading to business investment within the realm of general trading business. While showcasing the capabilities of a well-established semiconductor-specialized trading company, it is also positioning new investments for expanding CPS solutions as a pillar for growth. In this transformative phase that leverages the strengths of trading and simultaneously expands into business investments, there is a significant need to revamp internal systems such as financial management, funding approaches, and balance sheet control. From my experience, I believe there is ample room for me to contribute and assist in this regard.

### Evolution of Macnica's Financial Monitoring

**Sano** As a semiconductor trading company, we serve as intermediaries for both suppliers and customers, facilitating financial and logistical functions. In the pre-listing phase of Macnica's semiconductor business, most of suppliers were



## Makoto Okawara

Managing Executive Officer  
General Manager  
Financial Group  
Macnica, Inc.

Joined Mitsubishi Corporation in 1987. Through management experience in England and United States, appointed General Manager of the IR Department. In 2020, became Executive Officer and General Manager of the Financial Department. In 2023, joined Macnica, Inc. Appointed current position and Managing Executive Officer, Macnica Holdings, Inc.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



overseas companies, while customers were domestic enterprises. Settlement with suppliers was typically conducted within a 30-day timeframe, during which we procured products and maintained inventory based on demand forecasts. On the other hand, payments from customers prioritizing financial security were made after a certain period following delivery. Consequently, as transactions increased, our interest-bearing debts also grew. While Macnica expanded its operations alongside the increase in interest-bearing debts, there were limits to the credit lines provided by banks.



Since we are a trading company with limited assets that can serve as collateral, we chose to list stocks publicly to secure growth capital.

**Okawara** Just after listing on the Tokyo Stock Exchange Second Section in 2001, the IT bubble burst, exposing the high volatility of the semiconductor industry. This marked a turning point for Macnica.

**Sano** Indeed. Until then, our company had been growing through what we call "Sunflower Management," where we were sensitive to businesses needing semiconductors and appropriate suppliers. However, with the collapse of the IT bubble, we shifted our strategy towards concentrating resources on fields with high demand, such as digital appliances and automotive devices. Additionally, in 2008, with the acquisition of Cytech, a semiconductor trading company based in Hong Kong, we initiated a full-scale global expansion, which became a growth driver for business with non-Japanese customers. However, as the payment sites for overseas suppliers remain unchanged, the gross income remains

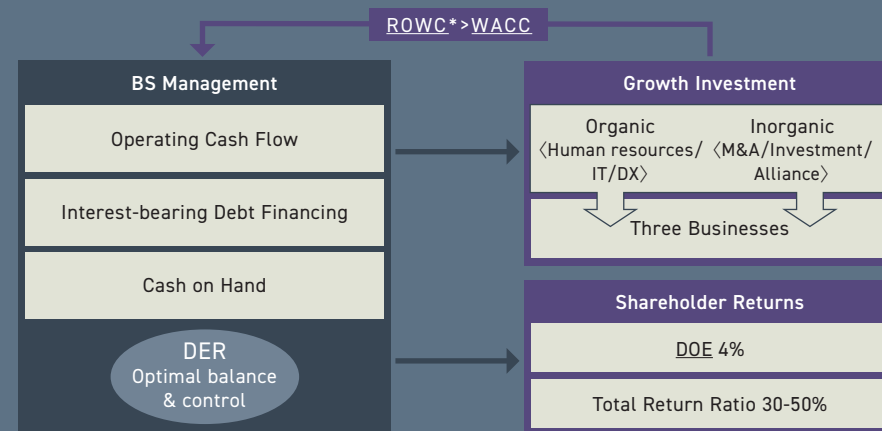
crucial for business management. It is important to consider how to enhance work efficiency, be conscious of financial costs, and achieve stable operations. In measuring this aspect, the profit per employee is an important indicator.

**Okawara** Such proactive global expansion has set us apart from our competitors. However, I find it even more distinctive that our management approach of entrusting acquired companies within the group through M&A and allowing them to operate freely under local leadership. It is undeniable that Macnica's culture of valuing "Trust" played a significant role in ensuring the smooth progress of our global expansion. However, as we move forward to expand our business to the next stage, it might be necessary to strengthen functions that oversee and consolidate management from a higher perspective. There could be increased synergy by standardizing financial accounting systems globally. Maintaining the distinct speed of Macnica's management while effectively applying appropriate governance is challenging, but we believe there is an optimal solution out there and will continue to pursue it.

### Capital Utilization for New Growth

**Sano** Our traditional approach at Macnica has been

[Financial Management - Capital Allocation]



\* ROWC (Return On Working Capital) = Operating Income x (1 - Effective Tax Rate) / (Accounts Receivable + Inventories - Accounts Payable, at end of the period)

to allocate half of our profits towards future investments and the other half towards shareholder returns. The key lies in how well we execute this plan systematically. It goes without saying that effective capital allocation, considering interest costs while consistently carrying interest-bearing debts and directing funds to various businesses, is crucial. In the domestic market, we utilize financial instruments to liquidate accounts receivable. However, overseas regions like Asia have higher hurdles for such financial instruments, making them challenging to implement. Fortunately, we have managed to avoid significant emerging risks so far, but looking ahead, we should anticipate addressing currency volatility and fund transfers, especially in regions with high currency volatility. The business environment is becoming more uncertain, and overcoming these challenges requires insights from Mr. Okawara, who has extensive global operations experience at a general trading company.

**Okawara** Macnica's core business is performing well, and rather than rapidly reallocating funds to business investments, we anticipate a phase of continued organic growth. For new investment opportunities, we plan to make decisions through careful selection, weighing the quality of each option and utilizing PDCA cycles. Of course, we also expect sig-

nificant opportunities to arise. Regardless, the risks in trading and investment, even for the same 1 yen, are vastly different. Therefore, as the nature of the business changes, the key performance indicators to consider will also differ. Adapting to such changes is something I have personally struggled with in previous roles. I believe I can contribute various insights. This applies similarly to the capital costs attracting attention in the stock market.

**Sano** We have been mindful of capital costs in our management strategy since the previous Medium-Term Management Plan. We introduced ROE as a management performance indicator and added ROWC as a business management indicator in 2020. For instance, we set ROWC hurdle rates for each major line of our semiconductor business. We also strengthen the management of accounts receivable, inventory assets, and accounts payable while monitoring these rates monthly. This initiative began from the realization that after the management integration of Macnica and Fuji Electronics in 2015, we needed a unified indicator to align our efforts; otherwise, our strategies would become fragmented. Through collaborative efforts across the entire organization and creative adjustments to our initiatives towards targets, ROWC has shown significant improvement since its introduction.

**Okawara** I believe management indicators enabling each employee to find a basis for decision-making will be increasingly important. Historically, we've relied more on qualitative judgments for the profitability standards of new investment opportunities. Given that the amounts and quantities were relatively small, we could deliberate each one thor-



## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

oughly. However, as we move to a higher growth stage with larger projects, we will need to standardize the decision-making process somewhat. We are currently considering to establish a system to set quantitative criteria for investment execution and withdrawal, to monitor and prepare for a more sophisticated allocation.

### Investment in Human Capital

**Sano** Macnica prides itself on being No. 1 in Japan in semiconductors and security solutions distribution and believes its compensation system should also be the best in the industry. The company determines salaries based on the ordinary income per employee, and we set transparent and fair standards based on the principles of "Simple, Open, Transparent." We further aim to boost motivation by increasing basic pay. As the entire industry focuses on securing top talent, we naturally follow suit by investing robustly. To achieve this, it is crucial to maintain a high level of operating income margin. To that end, we anticipate the next generation system [P.46](#) to be instrumental in automating and enhancing operations. Even if front-line sales double, the system ensures that back-office processing remains unburdened. By deploying this system globally, we will enhance our efficiency.

**Okawara** Our fair compensation system and the speed of adopting DX are undoubtedly our strengths. Perhaps rooted in our origins and ties to Silicon Valley since our founding, there is a palpable startup spirit, characterized by open communication and agility.

**Sano** Macnica has grown as a company where individuals with a strong sense of independence gather. However, recently, it has become vital to foster this spirit internally. Remaining the First Penguin, a pioneer, is not easy. Success stories play a critical role. For instance, when looking at ROWC, we challenge our team by asking, "If you have ideas to improve these figures based on financial statements, bring them to us." We want individuals to think proactively and experience even small successes.



**Okawara** Investment projects typically succeed only around 30% of the time, even if executed with confidence and rosy expectations. Macnica is likely to face such challenging situations in the future. That is where the individual's ability to think and determination come into play, alongside governance and rules. While firmly sharing the culture of trust and speed, we aim for optimization across the entire group. It is easy to say but this balance is indeed challenging. As CFO, I may need to convey unwelcome news at times, but I am committed to effective communication and mutual understanding as we move forward together.

### Communication with Shareholders and Investors

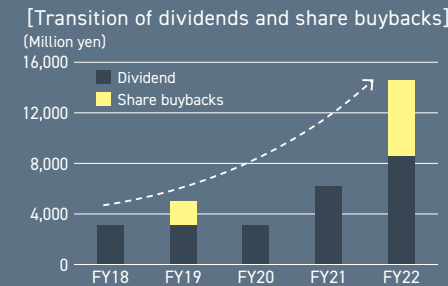
**Sano** Apart from commemorative dividends, Macnica's policy is to keep regular tips as stable as possible. We have maintained a stable dividend regardless of our performance, aiming for a total payout ratio of 30% to 50%, including repurchasing treasury shares. From FY2022, we have changed to a more straightforward and fair dividend based on 4% DOE Policy. From 2025 onwards, a new return policy should be crafted, led by Mr. Okawara.

**Okawara** Macnica aims to maintain an ROE of over 15% in the long run. Although the company's capital efficiency is relatively high, its PER is stagnant. We

see this as the "Trading Company Trap," a discount in stock evaluation due to the tag "because it is a trading company." We must clearly communicate our consistent profit growth and focus on investor relations that convey our growth potential, including new areas.

**Sano** Indeed. While Macnica is highly regarded in the semiconductor trading category, it falls short compared to IT companies that compete in the networking business. Despite growing understanding of our long-term strategy towards new domains, given the current situation, market attention leans towards semiconductors. Breaking through this is a constant struggle.

**Okawara** However, what surprised me about Macnica is the warmth of the investors we work with. I perceive it as acknowledging that we are "doing what needs to be done." We have been particu-



larly recognized for our capital efficiency, and in July, we were included in the JPX Prime 150 Index. Our close relationship with investors is a significant strength, and we want to deepen this understanding through continued dialogue.

### Towards Long-Term Management Concept Vision 2030

**Sano** As Macnica evolves from a Semiconductor Trading Company into a Services & Solutions Company, it is necessary to envision concrete KPIs, milestones for gross income margin, operating income margin, and more. We have high expectations for your expertise, Mr. Okawara, who possesses abundant knowledge. To continue being a sought-after presence among competitors, we aspire to elevate our financial standing to a level where stakeholders say "That is Macnica" when looking at our financial statements.

**Okawara** The nature of operations significantly differs in the semiconductor and Services & Solutions businesses. Therefore, the priority is establishing a mechanism for monitoring using shared metrics. Without this, it can be challenging to implement the PDCA cycle effectively. However, while it's not exactly creating a statue without instilling its spirit, merely having a system is insufficient. It is also indispensable to nurture the personnel who support it. Unlike semiconductor trading, which can be managed with years of experience, when dealing with new overseas investment projects in CPS solutions, it is crucial to have a support structure across the entire corporation rather than relying solely on the sales team's efforts. For example, issues might be resolved if we adopt a system of rotating accounting and finance personnel into sales roles. As for myself, while I am still learning and absorbing all about Macnica, it is a lively and youthful company that fills me with excitement. I hope to contribute to Macnica's growth in whatever way I can.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

- ▶ Long-Term Management Concept: Vision 2030
- ▶ Medium-Term Management Plan: FY2022-24
- ▶ Financial Highlights
- ▶ Summary by Business
  - ▶ Semiconductor Business
  - ▶ Network Business
  - ▶ CPS Solutions Business
- ▶ IT & DX Strategy
- ▶ Financial Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

#### FACTS & FIGURES

#### View by Keyword

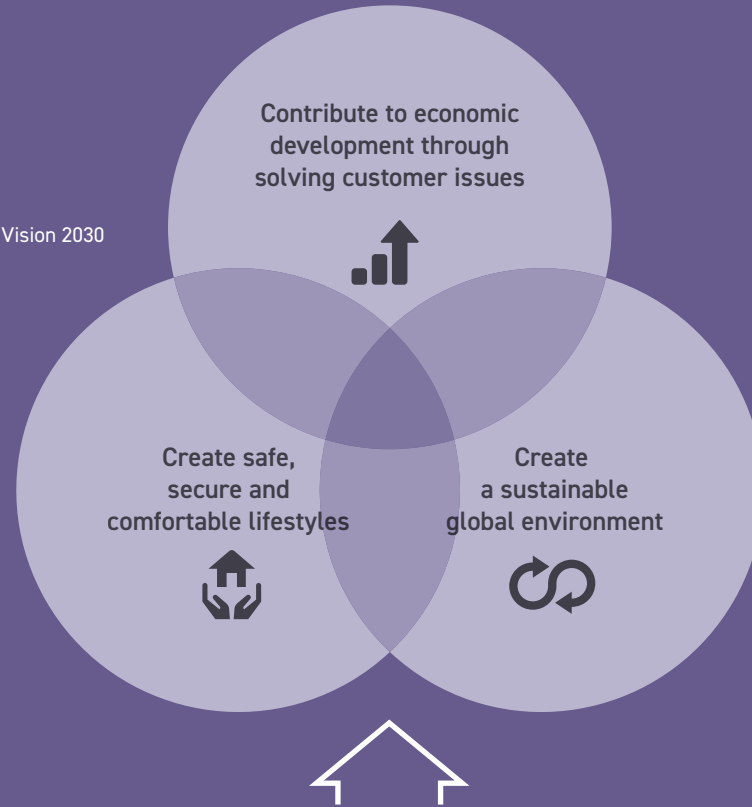
Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# DISCIPLINE LIMITLESS RESILIENCE

Key Issues Towards Vision 2030  
[Materiality]



## Responding to Change

Always pioneering, constantly moving forward—that's Macnica. As we evolve into a Services & Solutions Company, and work towards achieving the four materialities, we are determined to identify and solve the latest social challenges in an uncertain world.

As the Group expands globally, we believe that fostering human resources capable of growing while respecting the other's diversity and strengthening group governance and risk management form the cornerstone of a management strategy to ensure growth over the next 50 to 100 years. Furthermore, we consider listening to and understanding the voices of various stakeholders to be of utmost importance.

In order to overcome challenges, adapt to change, and achieve steady growth, it is essential to maximize human capital (Diversity & Inclusion), strengthen governance and risk management, strengthen dialogue with stakeholders, and enhance management and organizational resilience. We will continue to develop a strong future by gaining the ability to respond to change.

Strengthen management and business resilience

**Strengthening Governance and Risk Management**

▶ P. 52~

**Diversity & Inclusion  
(Maximizing Human Capital)**

▶ P. 20~

**Strengthening Dialogue with Stakeholders**

▶ P. 68~

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- ▶ Strengthening Governance and Risk Management
  - ▶ BOARD MEMBERS
  - ▶ Message from Chairman of the Board
  - ▶ Messages from Outside Directors
  - ▶ Corporate Governance
  - ▶ Risk Management and Compliance
  - ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

FACTS & FIGURES

View by Keyword

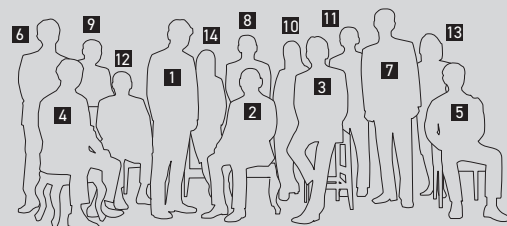
Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



# BOARD MEMBERS



- 1** Kiyoshi Nakashima  
Chairman of the Board
- 2** Kazumasa Hara  
Representative Director and President
- 3** Akinobu Miyoshi  
Representative Director and Vice President
- 4** Fumihiko Arai  
Director
- 5** Takemasa Sato  
Director
- 6** SEU, DAVID DAEKYUNG  
Director
- 7** Eiichi Nishizawa  
Director
- 8** Hitoshi Kinoshita  
Outside Director
- 9** Tsunesaburo Sugaya  
Outside Director
- 10** Makiko Noda  
Outside Director
- 11** Shinichiro Omori  
Outside Director
- 12** Shinichi Onodera  
Standing Audit & Supervisory Board Member
- 13** Kay Miwa  
Outside Audit & Supervisory Board Member
- 14** Yukie Sugita  
Outside Audit & Supervisory Board Member

**Introduction / Purpose**

**CEO MESSAGE**

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

**DISCIPLINE**  
—LIMITLESS RESILIENCE  
**Responding to Change**

▶ Strengthening Governance and Risk Management

▶ **BOARD MEMBERS**

- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance
- ▶ Risk Management and Compliance
- ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

**FACTS & FIGURES**

**View by Keyword**

<a href="#">Value Creation</a>	<a href="#">Human Capital</a>
<a href="#">Diversity &amp; Inclusion</a>	<a href="#">ESG</a>
<a href="#">Shareholder Returns</a>	<a href="#">Dialogue with Investors (Engagement)</a>
<a href="#">Glossary</a>	<a href="#">Table of Contents &amp; Editorial Policy</a>

**Related Information**

- [Macnica Holdings, Inc. IR Website](#)
- [IR Library](#)
- [Macnica, Inc. Website](#)



## Career Summary (as of June 28, 2023)

### Directors



**Kiyoshi Nakashima**  
Chairman of the Board

April 1981 Joined Macnica, Inc.  
May 1991 Director and Component First Business Department General Manager, Macnica, Inc.  
April 1999 Director and Network Business General Manager, Macnica, Inc.  
June 2003 Managing Director, Macnica, Inc.  
March 2004 Representative Director, Macnica Networks Corp.  
April 2005 Executive Vice President, Macnica, Inc.  
Representative Director, ALTIMA Corp. (currently Altima Company, Macnica, Inc.)  
June 2008 President and CEO, Macnica, Inc.  
April 2015 Representative Director and President, the Company  
June 2019 Representative Director and Chairman, Macnica, Inc.  
Representative Director and Chairman, the Company  
June 2021 Chairman of the Board, Macnica, Inc. (to present)  
Chairman of the Board, the Company (to present)



**Fumihiko Arai**  
Director

March 1990 Joined Macnica, Inc.  
June 2003 Director and General Manager of Strategic Business, ALTIMA Corp. (currently Altima Company, Macnica, Inc.)  
April 2006 Director and Vice President, ALTIMA Corp.  
June 2007 President and CEO, ALTIMA Corp.  
June 2011 Director, Macnica, Inc.  
April 2015 Director, the Company (to present)  
June 2018 Managing Director, Macnica, Inc. (to present)



**Eiichi Nishizawa**  
Director

April 1982 Joined Toho Mutual Life Insurance Company (currently The Gibraltar Life Insurance Co., Ltd.)  
December 1999 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
May 2001 Head of Strategic Planning Office, Fuji Electronics Co., Ltd.  
May 2006 Executive Officer, Head of Strategic Planning Office and General Manager of General Affairs Div., Fuji Electronics Co., Ltd.  
May 2010 Senior Executive Officer and General Manager of Strategic Planning Div., Fuji Electronics Co., Ltd.  
May 2011 Director and General Manager of Financial & Accounting Div., Fuji Electronics Co., Ltd.  
May 2014 Managing Director, Fuji Electronics Co., Ltd.  
April 2015 Director, the Company (to present)  
June 2017 Representative Director Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
June 2019 Executive Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)



**Kazumasa Hara**  
Representative Director and President

September 1995 Joined Macnica, Inc.  
April 2007 General Manager of First Sales, TecStar Company, Macnica, Inc.  
April 2011 President, TecStar Company, Macnica, Inc.  
April 2018 General Manager of Strategic Innovation Business Group  
June 2018 Director, Macnica, Inc.  
June 2019 President and CEO, Macnica, Inc. (to present)  
Representative Director and President, the Company (to present)



**Takemasa Sato**  
Director

April 1989 Joined Macnica, Inc.  
April 2004 Vice President, Clavis Company, Macnica, Inc.  
April 2007 President, Clavis Company, Macnica, Inc.  
April 2011 Vice President of Worldwide Sales, Japanese Accounts, Macnica, Inc.  
April 2018 Executive Vice President, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
June 2018 Director, Macnica, Inc.  
June 2019 Managing Director, Macnica, Inc. (to present)  
Director, the Company (to present)  
June 2020 Representative Director, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)



**Hitoshi Kinoshita**  
Outside Director

April 1978 Joined Mitsubishi Research Institute, Inc.  
March 1985 Established ASTEC, Inc. (currently Rworks, Inc.), President and Representative Director  
October 2011 President and Representative Director, TS Service Co., Ltd. (to present)  
October 2015 Advisor and Director, Rworks, Inc. (to present)  
President and Director, System Consultant Co., Ltd.  
September 2016 President and Representative Director, System Consultant Co., Ltd. (to present)  
May 2017 Representative Director, Japan Digital Notarization Authority Co., Ltd. (to present)  
July 2017 Chairman and Representative Director, Data Design Co., Ltd. (to present)  
June 2018 Director, the Company (to present)



**Akinobu Miyoshi**  
Representative Director and Vice President

July 1995 Joined Macnica, Inc.  
April 2007 General Manager of Product Sales, ALTIMA Corp. (currently Altima Company, Macnica, Inc.)  
June 2009 Director, ALTIMA Corp.  
June 2010 Executive Vice President, ALTIMA Corp.  
June 2011 President and CEO, ALTIMA Corp.  
October 2011 General Manager of Asia Pacific Business Group, Macnica, Inc.  
President, MACNICA ASIA PACIFIC PTE LTD  
President, MACNICA HONG KONG, LIMITED  
April 2015 General Manager of Global Business Development Office, Macnica, Inc.  
CEO, MACNICA AMERICAS, INC.  
June 2018 Director, Macnica, Inc.  
June 2019 Co-CEO, Macnica, Inc. (to present)  
Representative Director and Vice President, the Company (to present)



**SEU, DAVID DAEKYUNG**  
Director

September 1986 Joined Merrill Lynch & Co., Inc. (Investment Banking Division, New York, USA)  
October 1990 Joined The Sumitomo Trust and Banking Co., Ltd. (currently Sumitomo Mitsui Trust Bank, Limited)  
February 2000 Director, Sumishin Investment Co., Ltd. (currently Sumitomo Mitsui Trust Investment Co., Ltd.) (to present)  
June 2007 Director, Macnica, Inc.  
April 2015 Director, the Company (to present)  
June 2019 Managing Director, Macnica, Inc. (to present)



**Tsunesaburo Sugaya**  
Outside Director

April 1988 Joined Motorola, Co., Ltd.  
June 1999 Joined JAFCO Co., Ltd. (currently JAFCO Group Co., Ltd.)  
January 2003 President & CEO, JAFCO America Ventures Inc. (currently Icon Ventures), JAFCO Co., Ltd.  
March 2008 Executive Officer responsible for United States, JAFCO Co., Ltd.  
June 2015 Outside Director, Plat'Home Co., Ltd. (to present)  
July 2015 Outside Director, I Peace, Inc. (to present)  
December 2015 Representative Director, MIYAKO CAPITAL (to present)  
August 2017 Outside Director, AerNos, Inc. (to present)  
June 2019 Director, the Company (to present)  
October 2022 Outside Audit & Supervisory Board Member, Artiza Networks, Inc. (to present)

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### ▶ Strengthening Governance and Risk Management

##### ▶ BOARD MEMBERS

▶ Message from Chairman of the Board

▶ Messages from Outside Directors

▶ Corporate Governance

▶ Risk Management and Compliance

▶ Responses to ESG-Related Risks

▶ Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

Macnica Holdings, Inc. IR Website

IR Library

Macnica, Inc. Website

Directors



**Makiko Noda**  
Outside Director

April 1993 Joined Venture Link Co., Ltd.  
 April 2010 Director, Venture Link Co., Ltd.  
 December 2010 President and Representative Director, Human Delight Inc. (to present)  
 March 2011 President and Representative Director, INCGROW Co., Ltd.  
 February 2015 Chairman and Director, INCGROW Co., Ltd.  
 June 2017 Outside Director, The Bank of Toyama (to present)  
 June 2019 Director, the Company (to present)  
 Outside Director, Keyware Solutions Inc. (to present)  
 March 2020 Outside Director, Arte Salon Holdings, Inc. (to present)



**Shinichiro Omori**  
Outside Director

April 1978 Joined Hitachi, Ltd.  
 April 2016 Senior Vice President and Executive Officer (retired in March 2019)  
 June 2017 Outside Director, Hitachi Capital Corporation (currently Mitsubishi HC Capital Inc.)  
 Director, Hitachi Chemical Co., Ltd. (currently Resonac Holdings Corporation)  
 June 2019 Chairperson of the Board, Hitachi Metals, Ltd.  
 April 2020 Board Director, Chairperson, Hitachi Metals, Ltd. (currently Proterial, Ltd.) (retired in June 2020)  
 July 2020 Chairman of the Board, Hitachi High-Tech Corporation (retired in March 2021)  
 March 2022 Outside Director of the Board, KOKUYO Co., Ltd. (to present)  
 June 2022 Director, the Company (to present)

Audit & Supervisory Board Members



**Shinichi Onodera**  
Standing Audit & Supervisory Board Member

April 1978 Joined Wacoal Corp.  
 December 1983 Joined Crown Leasing corporation  
 December 1987 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)  
 April 2010 Joined Fuji Electronics Co., Ltd. (currently Macnica, Inc.) as General Manager of General Affairs Div.  
 May 2010 Executive Officer and General Manager of General Affairs Div., Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
 May 2011 Executive Officer and Deputy General Manager of Marketing Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
 May 2012 Director and Deputy General Manager of Sales Management Sector, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
 May 2014 Managing Director, Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
 April 2015 Director, the Company  
 June 2017 Representative Director and President (CEO), Fuji Electronics Co., Ltd. (currently Macnica, Inc.)  
 June 2020 Audit & Supervisory Board Member, Macnica, Inc. (to present)  
 Corporate Auditor, Macnica Solutions Corp. (to present)  
 Standing Audit & Supervisory Board Member, the Company (to present)



**Kay Miwa**  
Outside Audit & Supervisory Board Member

February 1992 Lawyer, Haidian Lawyer Office, China  
 April 1998 Legal Division, NEC Corporation  
 April 2004 Assistant General Counsel of Legal Department, Nissan Motor Co., Ltd.  
 December 2011 Deputy General Manager, Legal Department, Nissan Motor Co., Ltd.  
 April 2014 General Manager of Strategic Partnerships and Projects, Corporate Strategy Division, Nissan Motor Co., Ltd.  
 April 2019 General Manager of Corporate Management Office, Nissan Motor Co., Ltd.  
 October 2020 General Manager of Corporate Planning Office, Corporate Strategy Group, Hitachi Construction Machinery Co., Ltd.  
 June 2022 Outside Director, MEIWA CORPORATION (to present)  
 June 2023 Audit & Supervisory Board Member, the Company (to present)



**Yukie Sugita**  
Outside Audit & Supervisory Board Member

October 2001 Joined ShinNihon Audit Corporation (currently Ernst & Young ShinNihon LLC)  
 April 2005 Registered as a certified public accountant  
 October 2018 Established Sugita Certified Public Accountant Firm, Representative Partner (to present)  
 November 2019 Representative Director, Miogi Advisory Co., Ltd. (to present)  
 March 2020 Outside Corporate Auditor, NAKANO REFRIGERATORS CO., LTD (to present)  
 August 2021 Outside Director, NEXT EDUCATION inc. (Audit and Supervisory Committee Member)  
 June 2022 Auditor, Saitama housing inspection center (to present)  
 June 2023 Audit & Supervisory Board Member, the Company (to present)

Executive Officers

President and CEO	Kazumasa Hara
Executive Vice President and COO	Akinobu Miyoshi
Managing Executive Officer	Fumihiko Arai Takemasa Sato SEU, DAVID DAEKYUNG Shigenori Mori Makoto Okawara
Executive Officers	Futoshi Hasegawa Teruyoshi Yamamoto Shoichi Teshiba Koji Senga Yuichi Yoshioka Yusuke Kobayashi Jun Ikeda Atsushi Sato Tomohisa Asano Toru Saito Keigo Ando Keisuke Ito Miki Sakakibara

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
 —LIMITLESS PASSION  
 Why is Macnica a Pioneer?

VISION & STRATEGY  
 —LIMITLESS GROWTH  
 Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
 —LIMITLESS RESILIENCE  
 Responding to Change

▶ Strengthening Governance and Risk Management

▶ BOARD MEMBERS

- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance
- ▶ Risk Management and Compliance
- ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



Message from Chairman of the Board

Kiyoshi Nakashima

Chairman of the Board

Leveraging the Cultivated Culture of “Trust” in Governance

Macnica has been continuously strengthening its corporate governance structure to achieve healthy and sustainable growth and to meet the expectations of a wide range of stakeholders, including shareholders and investors.

Chairman Nakashima, who plays a leading role in this effort, speaks about the distinctive characteristics of Macnica’s governance structure and the objectives behind recent structural enhancements, drawing from the company’s history and corporate culture.

Evolving with the Times  
Macnica’s Governance System

Since its establishment in 1972, over the course of half a century, Macnica has continually transformed its management style in alignment with its growth phases. Until around 1990, it adopted a “unified” approach, where the founding president understood and led the activities of all employees, nurturing core businesses. In the 1990s, as the communication and IT markets rapidly expanded, Macnica shifted towards a “centrifugal” model, emphasizing speed and momentum. In 2001, it transitioned from a business unit structure to a company system, promoting fast decision-making and action through further delegation of authority, resulting in rapid growth. After Japan’s semiconductor market turned negative growth in 2008, Macnica shifted towards a “centripetal” model, fostering a corporate management style that emphasized overall strength and efficiency through collaboration rather than competition between companies.

Adapting to environmental changes by transforming its management style has led Macnica to its current position, and the same applies to its approach to governance. Although the company began focusing on governance after its listing in 2000, the transition to a holding company structure in 2015 marked a new start for its governance system.

Initially, the Board of Directors emphasized a management board role of unified decision-making and supervision, rather than merely monitoring management. Outside directors were chosen based on their expertise in growth areas or their experience as entrepreneurs who had started their own start-up companies, with an emphasis on management and advisory capabilities. While this system had advantages regarding management speed, the focus gradually shifted towards enhancing monitoring functions as a “separation of supervision and execution” was sought for transparency and effectiveness in management.

In 2019, the appointment of the next CEO was conducted through a fair and transparent process. The CEO’s qualifications were defined, and multiple candidates underwent a 360-degree assessment. An optional Nominating and Compensation Advisory Committee, composed of over half of the outside directors, was formed, and its members engaged in dialogues with the candidates, ultimately selecting the current representative. Simultaneously, a review of the executive remuneration system was conducted, and a system was established where 30% of the total remuneration is provided as share remuneration. This was implemented to ensure competitive market remuneration levels and enhance the company’s medium- to long-term corporate value. This ratio is considered relatively high within the current landscape of Japanese enterprises.

Following my retirement, the Chairman of the Board of Directors and CEO roles were separated. A skills matrix was established not only to disclose each officer’s skills, but to strengthen the skills necessary to further enhance corporate competitiveness based on future strategies. Additionally, outside directors with experience in managing large companies and those with practical abundant knowledge in investment and finance were invited, creating a board that fosters diverse and multi-faceted discussions.

Key Themes: Strategy, Human Resources, Risk Management

From FY2022, the purpose of the Board of Directors has been defined as “serving as a body responsible for important management decisions and supervising business execution, to enhance corporate value within the context of relationships with all stakeholders, not only shareholders.” Additionally, we have established a practice of sharing the Chairman’s Policy for “Strategy,” “Human Resources,” and “Risk Management,” and have strengthened operations to facilitate concentrated discussions.

Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica’s Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- ▶ Strengthening Governance and Risk Management
  - ▶ BOARD MEMBERS
  - ▶ Message from Chairman of the Board
  - ▶ Messages from Outside Directors
  - ▶ Corporate Governance
  - ▶ Risk Management and Compliance
  - ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

FACTS & FIGURES

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



Macnica Group has consistently achieved growth by meticulously refining our “strategy.” It is the people who formulate these strategies, and without individuals capable of executing these strategies, they would remain empty promises. We intend to continue monitoring whether we are able to secure outstanding “human resources” and whether there are any signs of change in the cherished corporate culture we have valued. In recent years, unprecedented “risks,” such as the pandemic, US-China tensions, and the Ukraine conflict, have emerged. While mitigating these risks is indeed the board’s responsibility, taking appropriate risks is also essential for sustained corporate growth. We will entrust immediate tasks and issues to the execution side as much as possible, so that the Board of Directors can allocate time to discussions on “strategy,” “human resources,” and “risk management” with a focus on the medium- to long-term.

### Strengthening Governance, Dynamism between BOD and Management

A key focus in strengthening governance is enhancing the company’s competitiveness. This emphasis is not rooted in simply following what others are doing, but rather in considering questions such as “What are Macnica’s unique strengths and advantages?” and “What does Macnica need?” The company is designing its system and mechanisms while taking into account upcoming environmental changes.

A major focus of our current Governance System is the “separation of supervision and execution.” While the “separation” is certainly vital in the relationship between directors and executive officers, dynamism cannot emerge without essential information being shared between both sides. As such, in 2023, we established the Board of Directors Office as an entity to enhance the support for the operations of the Board of Directors and the Nominating and

Compensation Advisory Committee. It is crucial to accurately understand what the executive side is contemplating, what they are intending to implement, and what internal challenges are arising. After carefully selecting these aspects, presenting them as topics for discussion within the Board of Directors becomes an essential role. We anticipate that by sharing such content and background information with outside directors and auditors in advance, the discussions within the Board of Directors will become more dynamic.

Moreover, we clarify the terms and retirement of officers. This is to promote renewal while maintaining independence and to adapt to changes in the skills matrix that we should possess, given the rapidly changing market environment in the industry.

### Corporate Culture at the Foundation of Governance

At the foundation of its Governance lies in Macnica’s Corporate Culture. I firmly believe that no matter how excellent the institutional design may be, if the corporate culture does not resonate with the Board of Directors’ members, it will not function correctly.

Macnica’s corporate culture can be defined as TRUST, which is the first of our core values, as set forth in T.E.A.M.S. The company’s atmosphere is built on a foundation of trust between individuals, and there are no factions or cliques, enabling even new employees to freely converse with the president. In the annual organizational check-up by all employees, the communication index, such as “honestly exchanging what needs to be said with each other,” receives a very high score. The same culture also prevails in the Board of Directors, where everyone freely exchanges their opinions regardless of their positions or titles. In the case of Macnica, it could be said that a sense of independent thinking is naturally ensured within the culture of the Board of Directors.

In addition to this, our management policies in-

clude “Innovation,” and as seen in T.E.A.M.S. with MOVE, we place great importance on continuously pursuing change. By constantly evolving ahead of the current state and adapting to environmental changes, we have been able to sustain growth. In the Board of Directors as well, we are currently in the process of transitioning from a management board to a monitoring board, and from the perspective of diversity, we have invited two female outside directors, one of whom is an auditor and hails from China, to transform further.

Moving forward, while referring to precedents set by leading companies, Macnica will strive to create a highly effective Board of Directors based on the principles that it has cherished.

### Enhancing Corporate Value through Dialogue with Shareholders and Investors

In the semiconductor trading business, revenue expands, working capital increases, resulting in negative cash flow. Therefore, the fact that Macnica has been able to improve cash flow while expanding its

revenue in recent years holds great significance. Several years ago, we positioned cash flow improvement as an essential management challenge. Hence management, business divisions and the finance department have been working together in unison to address this. However, the market’s evaluation, especially in terms of PER, remains low.

Possible factors are that the strengths of being a demand-driven semiconductor trading company that leverages advanced technical capabilities, the high value-added network business indispensable for the future, and the expansion into new facets like Services & Solutions models including AI and autonomous driving, may not have been adequately communicated to the market. Moving forward, our plan is to actively introduce the uniqueness, strengths, and growth potential of these businesses, while also showcasing the underlying corporate culture of our Group and actively highlighting the capabilities of our human resources and teams at the core.

By further strengthening our dialogue with you all, we hope to communicate our true worth and enhance corporate value.



Joined Macnica, Inc. in 1981. In 1991, became Director. Serving as Managing Director of Macnica, Inc. and Representative Director of Group Companies, became President and CEO of Macnica, Inc. in 2008. In 2015, Representative Director and President of Macnica Holdings, Inc., and from 2019, served as Representative Director and Chairman. From 2021, serves as Chairman of the Board, presiding over board meetings.

#### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica’s Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- ▶ Strengthening Governance and Risk Management
  - ▶ BOARD MEMBERS
  - ▶ Message from Chairman of the Board
  - ▶ Messages from Outside Directors
  - ▶ Corporate Governance
  - ▶ Risk Management and Compliance
  - ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website





## Discover Yourself, Embrace a Venture in Uncharted Business Territory

During the nascent stage of the IT industry, I founded my own company. Through trial and error as an entrepreneur, I have gained diverse information about Macnica's network business, which was in the same industry. In particular, I felt that the Ability to Discern to swiftly introduce promising products from overseas to Japan and the strong Technical Support Capabilities were highly impressive.

After assuming the role of an outside director, I had more interactions with execu-

**Hitoshi Kinoshita**  
Director

tives from the semiconductor division, and I was once again deeply moved by Macnica's robust corporate culture. Every employee fosters an open and fair environment, actively absorbing new ideas and information while respecting one another. Their strong drive and excellent communication skills stand out. This impression remains unchanged to this day, and I believe that the corporate culture is indeed Macnica's strength.

In corporate decision-making, I think it is crucial for executive officers to fully commit to execution and support once mutual consensus is reached through discussions from various angles. Within this process, the activation of the Board of Directors is indispens-

able. When I initially joined the Board of Directors, it somewhat resembled an approval body for executive meetings, and I felt a slight deficiency in its functionality. However, subsequent discussions among directors addressing each other's challenges and the functions the Board of Directors should fulfill resulted in significant improvements. Now, communication and problem-solving capabilities among directors have further improved, enabling more efficient and effective decision-making.

Looking ahead, Macnica's most important theme for the future is the realization of the CPS solutions business. While collaboration with existing businesses is a given, it is crucial to conduct more specific and precise assessments of missing functions and capabilities. Internal development is also essential, but acquiring resources externally to find optimal

solutions aligned with the needs of new businesses is equally important. Through this year's action theme, "Know Our Macnica," I hope the company will actively engage in acquiring competitive capabilities and talent to accelerate success.

The global environment and technology are rapidly evolving, and Macnica is venturing into various uncharted business territories. Past experiences of success and failure might not always be applicable. What matters is approaching the strategy by identifying risks with a composed perspective, considering countermeasures, and aligning the entire organization's vectors. While continuously learning about the latest trends in corporate governance, I also aim to collaborate with other directors in contributing to problem-solving.

### Messages from Outside Directors

## Anticipating Medium- to Long-Term Growth, Evolving Culture and Systems

For about 20 years before assuming this position, I have built a relationship with Macnica as a venture capitalist. Undoubtedly, Macnica's greatest strength lies in its "outstanding corporate culture." This first-class culture permeates all employees, and I have consistently felt that every member is a trustworthy business partner who is always sincere and committed to the fundamentals of business. When I took on the role of an outside director, I had the privilege to experience the essence of this culture from within,

**Tsunesaburo Sugaya**  
Director

and it left a strong impression on me.

Shortly after I became a director, there was a change in the positions of the President and Chairman, leading to a significant rejuvenation of the management team. However, the spirit has been passed down after this generational shift, and Macnica continues to hold its position as a company with an "outstanding corporate culture." If anything, it appears that Macnica is evolving slowly while nurturing its corporate culture in line with the times. The management team consistently pursues the "evolution" of the Board of Directors and approaches changes without fear. This proactive attitude towards change is observable even from the perspec-

tive of an outside director. Furthermore, each director is constantly expected to grow, ensuring a healthy level of tension. I believe that the Board of Directors is indeed evolving in a positive direction.

Our company is experiencing rapid growth at a pace faster than anticipated. Alongside this rapid expansion, I have noticed a slight emergence of aspects resembling the "large company syndrome," where responsibility becomes somewhat ambiguous. However, Macnica has displayed a quick response stance to address these challenges. As soon as a problem arises, an action plan is formulated promptly, and the management team takes swift action. I am consistently amazed by this leadership and responsiveness. At the Board of Directors, I consider it vital to detect problems early and implement appropriate measures. I believe that outside directors

should strive to promote "awareness" within the organization through proper information sharing and dialogue, which will contribute to problem-solving.

In the Board of Directors, we conduct comprehensive assessments of past M&A failures and study other companies' M&A cases, enabling multifaceted and insightful evaluations. In the development of new business, we currently identify investment opportunities on a bottom-up basis for each investment theme. However, it will also be necessary to introduce top-down evaluations and rapidly identify companies or businesses that are suitable investment targets based on market trends. To achieve this, I intend to contribute to the establishment of a system and framework that combines top-down and bottom-up approaches, enabling the proper allocation of investment funds, resources, and management of investment risks.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### ► Strengthening Governance and Risk Management

- BOARD MEMBERS
- Message from Chairman of the Board
- Messages from Outside Directors
- Corporate Governance
- Risk Management and Compliance
- Responses to ESG-Related Risks

#### ► Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



## Continuously Evolving with Humility, Centered on People

Throughout my interactions with past presidents, I became enamored with Macnica's values and four years ago, I assumed the role of an outside director. The strength of Macnica, which started as a venture and has now grown to a company with over ¥1 trillion in sales, lies in its ability to "always evolving while maintaining an unwavering spirit in tandem with generational transitions." Macnica is the First Penguin, and that is what sets it apart.

My area of expertise lies in addressing challenges related to regional revitalization, mainly engaging in city promotion for local governments, career support for teenagers, and scaling up support for female entrepreneurs. I joined Macnica as the first female outside direc-

tor. I offer various proposals from the perspective of "human resource development" such as promoting the participation of women and D&I, and I also provide support in approaching local governments in our business. Additionally, as a member of the Nominating and Compensation Advisory Committee, I provide recommendations to the Board of Directors.

Macnica is always evolving with humility and dynamism. As social demands for strengthening corporate governance rise, the role of the Board of Directors in each company is being questioned. In our Board of Directors as well, we have been diligently and eagerly engaged in swift changes for the further enhancement of effectiveness. I myself proposed

that the Board of Directors should be a space for selecting crucial management issues and discussing them under specific themes. This suggestion was promptly adopted, and now we have dedicated time for theme-based discussions. An environment where board members can freely express their opinions, leveraging their specialized expertise, has been fostered, and I feel that meaningful discussions are taking place.

While it's natural for an outside director to be well-acquainted with the corporate governance structure of the corporate division, I have deepened my understanding of the company's Medium- to Long-Term Strategy through participation in events such as the Management Plan Presentation and Management Team Camp. Additionally, as a member of the Nominating and Compensation Advisory Committee, I feel it is crucial to have a

profound understanding of Macnica's organizational culture and the qualities and skills of the management team and executives. The Nominating and Compensation Advisory Committee plays an incredibly important role as a committee that discusses the positioning of talent that will lead the next generation of Macnica from various perspectives. As Founder and Honorary Chairman Kamiyama aptly put it, "Companies begin and end with people," how we cultivate and recruit the talent that will drive Macnica's growth in the future is one of the most critical themes. Furthermore, in the committee, we set KPIs and utilize them for evaluations. However, considering the business environment, we also plan to reevaluate the KPIs themselves and continue discussions with continuity in mind.



Makiko Noda  
Director

### Messages from Outside Directors

ture growth made it clear that Macnica is an attractive company.

Since becoming a director, I have confirmed that the core value T.E.A.M.S. has permeated every aspect of the company, and open discussions are taking place throughout the organization, regardless of hierarchy. Upon my arrival, the company was just working on defining its Purpose, Vision, and Values, and I was impressed by the lively discussions taking place. Additionally, the company actively invests in latest technologies and startup companies, and its swift decision-making and clear medium- to long-term management goals are also commendable.

Towards realizing the services and solutions that Macnica aims for, the key lies in how we can achieve our uniqueness and differentiate ourselves with distinctive added

value. Simultaneously, as the Board of Directors, we need to oversee specific strategies from the executive side, including talent development with succession plans, accelerating global business expansion, and enhancing corporate functions. Particularly, discussions about optimal capital allocation and establishing a global risk management framework are immediate tasks. Personally, I intend to communicate with the executive team outside of the boardroom and provide suggestions regarding appropriate risk-taking that contributes to growth.



Shinichiro Omori  
Director

## Strengthening Finance and Risk Management Laying the Groundwork of Uniqueness

Drawing on my experience in managing global business operations for manufacturers, I have been raising issues with a focus on the medium- to long-term. The current Macnica has grown to exceed ¥1 trillion in revenue and has established a solid financial structure that ensures appropriate profitability and efficiency. We have achieved the performance targets of the Medium-Term Management Plan ahead of schedule and are steadily delivering results. However, in response to rapid growth, it is now imperative to build a management framework for the next steps.

In today's corporate management, establishing governance that balances social value and economic value while enhancing both

concurrently is recognized as crucial. Leveraging Macnica's strengths, we need to further enhance our ability to generate cash, at a scale different from before, and utilize it as a lever to actualize and accelerate strategies for expanding corporate value.

For over 30 years, I have been interacting with Macnica primarily as a customer in the semiconductor business. I have felt that the company anticipates market changes, makes timely and appropriate upfront investments in operations such as inventory and shipments, and handles the volatile supply and demand of semiconductors adeptly. Moreover, the delegation of authority to young employees and the anticipation of their fu-

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- ▶ Strengthening Governance and Risk Management
  - ▶ BOARD MEMBERS
  - ▶ Message from Chairman of the Board
  - ▶ Messages from Outside Directors
    - ▶ Corporate Governance
    - ▶ Risk Management and Compliance
    - ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# Corporate Governance

## Basic Approach and Policy

Macnica Holdings, Inc. is responsible for corporate governance of the Group, and the formulation of basic management policies and strategies based on these policies, which are executed by Group operating companies. Our basic policy is to ensure transparency and fairness in the supervision of management and to carry out swift and decisive decision-making and business execution to fulfil the trust of customers, shareholders, employees and other stakeholders and to achieve sustainable growth and increase corporate value.

To respond appropriately and quickly to rapid changes in the business environment, an Executive Officer system has been introduced to separate management decision-making and supervisory functions from business execution functions, with the aim of increasing management mobility and clarifying business execution responsibilities.

### Macnica Corporate Governance Basic Policy

#### 01

##### Strengthening Corporate Competitiveness

Since our founding, to take on challenges quickly and boldly in a rapidly changing business environment, and to remain ahead of our competitors, we have constantly considered the ideal form of the Group's Board of Directors, and our basic operating policy to strengthen corporate competitiveness. As a public company, we strive to meet the expectations of all stakeholders, and aim to be a Corporate Group that possesses both integrity and strong competitiveness.

#### 02

##### Systemization & Process-Driven Rapid Decisions

To meet market demands promptly and appropriately as a corporate group that continues to grow sustainably even after generational changes in management, we have developed a systematic process-driven approach to management decision-making. We don't focus on finding the 'right answer.' By stacking flexible and speedy decisions, we have acquired a resilience that continues to adapt to external environmental change.

#### 03

##### Remaining Open, Fair & Transparent

We value our corporate culture being "Open, Fair, Transparent," not only in business operations but in the board management. While enhancing information transparency as "One Macnica," we establish an environment where internal and outside directors can discuss matters openly and candidly, actively adopting objective perspectives.

Moreover, benchmarking against major corporate groups, we introduce compensation levels that ensure market competitiveness and stock compensation to encourage medium- to long-term corporate value creation, ensuring objectivity and fairness while preventing personalization and maintaining a fresh structure where passion and ambition never wane.

## History of Governance Reform

Since listing on the Tokyo Stock Exchange, the Macnica Group has been working to enhance its corporate governance in accordance with market requirements and the Corporate Governance Code. Since FY2018, we have focused on the separation of oversight and execution, with an eye to further strengthening monitoring.

	Business Activities	Governance Reforms Implemented	Key Points for Enhancement
2015	<ul style="list-style-type: none"> <li>● Establishment of Macnica Fuji Ele Holdings, Inc.</li> </ul>		<ul style="list-style-type: none"> <li>● Preparation for transition to new system                             <ul style="list-style-type: none"> <li>- Basic corporate governance policy and succession plan</li> </ul> </li> <li>● New Corporate Governance Basic Policy</li> <li>● Succession Planning                             <ul style="list-style-type: none"> <li>- Processes of identifying, developing, promoting talents</li> <li>- Processes of incorporating external perspectives (including Nominating Committee)</li> </ul> </li> </ul>
2018		<ul style="list-style-type: none"> <li>● Nominating and Compensation Advisory Committee</li> </ul>	
2019	<ul style="list-style-type: none"> <li>● New management structure: Representative Director and Chairman: Nakashima Representative Director and President: Hara Representative Director and Vice President: Miyoshi</li> <li>● Executive officer system</li> </ul>	<ul style="list-style-type: none"> <li>● Increase to four independent directors (one of whom is the company's first female officer)</li> <li>● Start of a new compensation system including Restricted Stock (RS) to improve long-term corporate value</li> </ul>	<ul style="list-style-type: none"> <li>● Establishment of Executive compensation system                             <ul style="list-style-type: none"> <li>- Ensuring market competitiveness and internal fairness</li> <li>- Promoting short-, medium-, and long-term corporate value (benchmarking major companies)</li> <li>- Basic compensation, bonus, and stock compensation</li> <li>- Increase ratio of stock for bonuses (promoting medium- to long-term corporate value)</li> </ul> </li> <li>● Clarification of role definitions:                             <ul style="list-style-type: none"> <li>- 'Directors' role responsible for oversight of execution</li> <li>- 'Executive Officers' are responsible for business execution</li> </ul> </li> </ul>
2021	<ul style="list-style-type: none"> <li>● Chairman Nakashima to Chairman of the Board</li> </ul>	<ul style="list-style-type: none"> <li>● Skills Matrix Disclosure</li> </ul>	<ul style="list-style-type: none"> <li>● Separation of Board Chairman and CEO</li> <li>● Disclosure of each officer's skills and experience                             <ul style="list-style-type: none"> <li>- Clarification of current management team structure</li> <li>- Challenges in succession &amp; consideration of solutions</li> </ul> </li> </ul>
2022	<ul style="list-style-type: none"> <li>● Move to Tokyo Stock Exchange Prime Market</li> <li>● Name change to Macnica Holdings, Inc.</li> </ul>		<ul style="list-style-type: none"> <li>● Separation of supervision and execution, Improvement in transparency and effectiveness                             <ul style="list-style-type: none"> <li>- Accelerate decision-making, by delegating authority to executive</li> <li>- Strengthen supervisory function, focusing management (focus discussions on talent, strategy, and risks)</li> <li>- Utilize "healthy adversarial structure" dynamics between Board of Directors and Management</li> <li>- Emphasize governance-focused attitude to investors</li> <li>- Enhance Board of Directors composition (skills and number of Outside Directors), strengthen processes and operations</li> </ul> </li> </ul>
2023	<ul style="list-style-type: none"> <li>● Sales exceed ¥1 trillion</li> <li>● JPX Prime 150 Index</li> <li>● JPX-Nikkei Index 400</li> </ul>	<ul style="list-style-type: none"> <li>● Establishment of the Board of Directors Office</li> </ul>	

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- ▶ Strengthening Governance and Risk Management
  - ▶ BOARD MEMBERS
  - ▶ Message from Chairman of the Board
  - ▶ Messages from Outside Directors
- ▶ Corporate Governance
- ▶ Risk Management and Compliance
- ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

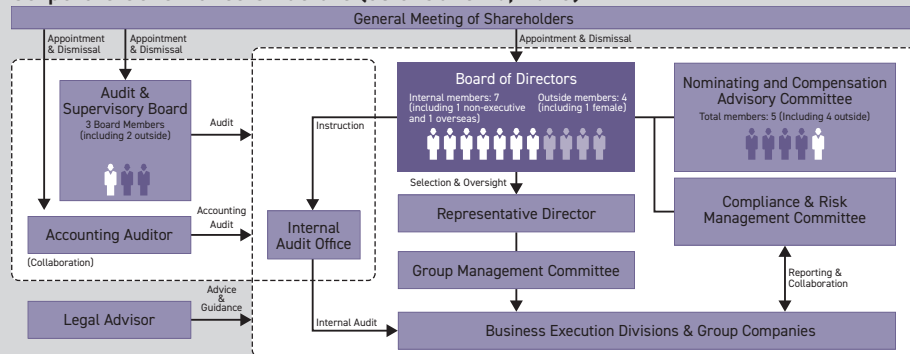
# Corporate Governance

## Overview of Corporate Governance Structure

To improve management transparency and strengthen management oversight functions, the Company, having adopted a Company system with Audit & Supervisory Board, holds regular monthly meetings of the Board of Directors to formulate management policies and strategies, to monitor and supervise the execution of business, appoint Members of the Board, and determine compensation. The Nominating and Compensation Advisory Committee, an advisor to the Board of Directors, deliberates the details of candidates for Director and for Audit & Supervisory Board Member, and the compensation of each Director and Executive Officer, reporting to the Board. The Board of Directors makes decisions based on these reports (Audit & Supervisory Board Member candidates are decided by the Board of Directors with the consent of the Audit & Supervisory Board).

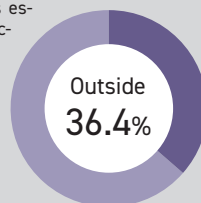
The Company's basic business management consists of the Board of Directors, the Group Management Committee, and the Audit & Supervisory Board.

### Corporate Governance Structure (as of June 28, 2023)



### Board of Directors Composition (as of the end of June 2023)

Currently, our Board of Directors includes one female director (outside), one foreign director, and two female Audit & Supervisory Board Members (outside). We believe that diversity, such as gender and nationality, is essential to enhancing corporate value, and we will continue to prioritize it.



### 1. Board of Directors

The Company's Board of Directors consists of eleven members, of whom four are outside directors, six are directors who concurrently serve as directors of Macnica, Inc., and one is a non-executive director.

The Board of Directors meets monthly in principle to make decisions on important matters related to management of the Company, and basic matters related to group management in accordance with the Rules of the Board of Directors and other related regulation and supervises execution of business by Directors.

### 2. Group Management Committee

Policies regarding business execution in the Group are decided by the Board of Directors and Group Management Committee. The Committee, which consists of Directors, Audit & Supervisory Board Members, and Executive Officers promotes decision-making based on authority regulations; pre-deliberates matters to be resolved by the Board of Directors; exchanges opinions on matters of concern; shares information, analyzes and enforces compliance for individual manage-

ment issues and discusses countermeasures based on them.

### 3. Audit & Supervisory Board

The Company's Audit & Supervisory Board, consisting of three Members (two of whom are Outside Members), audits the execution of duties by the Directors, attending Board of Directors and other important meetings and receiving reports from the heads of each department. The Audit & Supervisory Board determines audit policy, annual audit plans and other matters in accordance with laws, regulations, Articles of Incorporation and Rules of the Audit & Supervisory Board. Members report monthly to the Audit & Supervisory Board, sharing information and confirming progress of audit plans.

Outside Audit & Supervisory Board Members are independent from management, major shareholders, and major business partners, have no conflict of interest in the Company, have high insight and knowledge. The Company strives to strengthen management by incorporating objective opinions. In establishing a system that enables Audit & Supervisory Board Members to fulfill the audit function for business execution, such as reporting on the status

of business execution to the Audit & Supervisory Board, we have established a system that strengthens management auditing while making effective use of Audit & Supervisory Board functions.

### 4. Nominating and Compensation Advisory Committee

Emphasizing procedures and deliberations that prioritize independence, objectivity, and transparency, an advisory body to the Board of Directors, the Nominating & Compensation Advisory Committee, which consists of four outside and one non-executive director, is responsible for the appointment of the President and Representative Director, confirmation and consideration of the selection of candidates for Director and Auditor, and the compensation (including stock compensation) of Directors and Executive Officers.

## Activation of the Board of Directors

### Clarification of Key Themes by the Chairman's Policy

Our Board of Directors clarifies crucial themes prioritized for discussion based on the annual Chairman's Policy. This policy is periodically reviewed based on our company's future vision, management strategy, and key issues for achieving them.

The important themes in FY2023 based on the Chairman's Policy are "Human resources," "Business Portfolio," and "Management Base." Discussions prioritize clarifying human resources philosophies, business portfolio management, capital allocation, and addressing new global risks.

[P.55 Message from Chairman of the Board](#)

### Implementation of Theme-Based Discussions

After the Board of Directors meeting, we allocate about one hour each time to conduct theme-based discussions. We discuss topics not fully addressed in the board meeting and pick up issues of high interest inside and outside the company, such as the integrated report.

In addition to the monthly Board of Directors meetings, we conduct discussions about twice a year on topics brought up by external experts to delve deeper, aiming to broaden the scope of the board's discussions and further invigorate them. For instance, in FY2022, we focused on "human resource challenges," sharing trends among retirees, understanding the status of women's active participation, and trends in the recruitment market.

### Establishment of the Board of Directors Office

In April 2023, we established a new Board of Directors Office. This office strengthens the operation of the Board of Directors and Nominating and Compensation Advisory Committee, organizes deliberations according to the Chairman's Policy, and supports the understanding of industries and companies by outside directors and Audit & Supervisory Board members. Furthermore, after coordinating the intentions of the execution and supervisory sides, it proposes agenda items for the board. By doing so, it aids smooth meeting management, clarifies the roles of execution and supervision, and contributes to the sophistication of board discussions.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
[Why is Macnica a Pioneer?](#)

VISION & STRATEGY  
—LIMITLESS GROWTH  
[Macnica's Medium- to Long-Term Strategy](#)

DISCIPLINE  
—LIMITLESS RESILIENCE  
[Responding to Change](#)

### ▶ Strengthening Governance and Risk Management

- ▶ BOARD MEMBERS
- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance

### ▶ Risk Management and Compliance

### ▶ Responses to ESG-Related Risks

### ▶ Strengthening Dialogue with Stakeholders

## FACTS & FIGURES

### View by Keyword

<a href="#">Value Creation</a>	<a href="#">Human Capital</a>
<a href="#">Diversity &amp; Inclusion</a>	<a href="#">ESG</a>
<a href="#">Shareholder Returns</a>	<a href="#">Dialogue with Investors (Engagement)</a>
<a href="#">Glossary</a>	<a href="#">Table of Contents &amp; Editorial Policy</a>

### Related Information

- [Macnica Holdings, Inc. IR Website](#)
- [IR Library](#)
- [Macnica, Inc. Website](#)



# Corporate Governance

## Management Appointment & Dismissal Process and Succession Planning

### Process for Appointments and Dismissals

In 2018, Macnica began organizing the appointment and dismissal process for its representative directors. At the same time as formulating rules for candidate assessment, we clarified the qualifications and roles required for a representative director of Macnica. Currently, the process has been expanded not only for the representative directors but also for other directors, and it is operated with high transparency.

We have also established a monitoring system to verify the suitability of representative directors, and measures such as annual CEO interviews by external directors have been implemented.

### Formulation of Succession Plan

We have established a human resource development system that promotes developing the younger generation's abilities and leadership and leads to the development of future successors in a gradual and systematic manner.

In 2008, based on the concept of "Building a management team 10 years ahead," we began to establish a full-scale human resources program. Through management training and other programs, we have identified potential management personnel, placing them on-site, then scheduled them to attend training sessions, etc., repeating the cycle to provide realistic learning and practice opportunities. In addition to improving the management skills of individuals, this management personnel development process is also strongly focused on the theme of creating a management team that can share hardships and joys with members of the same age group and take advantage of each other's characteristics through training and other programs. [P.23 Career Design and Support Program](#)

The current succession plan is reviewed and discussed by the Nominating and Compensation Advisory Committee, which reports to the Board of Directors. The status of implementation of successor development and executive human resource development plans is reported to the Board of Directors as appropriate.

## Evaluation of the Effectiveness of the Board of Directors

All Directors and Audit & Supervisory Board Members are subject to a questionnaire-based self-evaluation each April. The evaluations are confirmed in the board meetings in May and June. For FY2022, the overall evaluation was deemed appropriate, and the effectiveness of the Board of Directors was judged to be secure. Particularly fruitful discussions have progressed through theme-based discussions on the topics emphasized during the previous term, "Human Resource Strategy," "Transition to a Services & Solutions Company," and "Strengthening the Management Base Focusing on ESG Management."

In FY2023, the Board of Directors exercises its supervisory function with the realization of the Long-Term Management Concept and the Medium-Term Management Plan FY2022-2024 with the enhancement of corporate value over the medium- to long-term in mind.

### Details of the Evaluation

Subjects	All Directors and Audit & Supervisory Board Members
Implementation/ Evaluation Method	Step1: Self-evaluation by questionnaire format with subjects (Annual, in April)
	Step2: Survey aggregation (May)
	Step3: Analysis & evaluation by Board of Directors (May-June)
	Step4: Formulation & announcement of the main theme for the next fiscal year based on the Chairman's Policy
Question Content	(1) Organizational structure of the Board of Directors (2) Operational structure of the Board of Directors (3) Materials and deliberation process for the Board of Directors (4) Details of proposals at Board of Directors (5) Nominating and Compensation Advisory Committee (6) Dialogue with Investors (7) Sustainability management (8) Capital efficiency and allocation of management resources (9) Provision of information and support to outside officers (10) Others

### Results of FY2022 Board of Directors

#### Effectiveness Evaluation

Discussions on important themes identified as challenges, along with the effectiveness of not only regular meetings but also individual director meetings, were highly evaluated. The response situation was judged to be favorable. Furthermore, other areas for improvement were identified, but the effectiveness of the Board of Directors was deemed to be ensured.

#### FY 2022 Key Themes

- Human Resource Strategy
- Transforming into a Services & Solutions Company
- Strengthening the Management Base Focusing on ESG Management

### FY2022 Activities Status and Future Challenges

Macnica defines the purpose of the Board of Directors as "an institution to make significant managerial decisions and oversee business execution, aiming to enhance corporate value within the relationships of all stakeholders, not only shareholders." Based on this, they discuss themes from three critical governance perspectives: Human Resources, Business Portfolio, and Management Base.

#### (1) Governance of Human Resources

Every month, we share information centered on retirees, which could indicate signs of changes in Macnica's corporate culture. Apart from the regular Board of Directors meetings, we set aside specific times to discuss issues in the Group's human resources in light of recent changes in the environment, together with the execution side, and set matters to be addressed. Furthermore, based on the results of the annual organizational diagnostic survey conducted for employees, we share and confirm the recognition of issues, the extraction of challenges in human resource management, and the status of responses to them.

#### (2) Governance of Business Portfolio

We have discussed and decided on the Long-Term Management Concept (Vision 2030) and Medium-Term Management Plan FY2022-2024. In the Long-Term Management Concept, in addition to existing businesses, we

have repeatedly discussed the progress of the CPS solutions business that we will strengthen and newly deploy based on monthly reports from the executive side. For the annual key policies, we review quarterly and confirm the progress.

#### (3) Governance of Management Base

As part of the progress of the Sustainability Promotion Committee, we have assented to TCFD's recommendation and made disclosures based on the TCFD framework and joined its consortium. Concerning Group Risk Management, we have revisited the risks of our Group, performed risk analysis, identified risks, and further specified significant risks. Regarding IR activities, we confirm the status of dialogues with investors every quarter. We receive reports on the types of investors interviewed, reactions from investors during financial announcements, and discuss the future direction of IR activities.

Moreover, the Board of Directors discussed the desired state of Macnica's Board of Directors to enhance corporate competitiveness and increase corporate value. Based on these results, we will consider the ideal Board of Directors for the Company.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

#### ▶ Strengthening Governance and Risk Management

- ▶ BOARD MEMBERS
- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors

#### ▶ Corporate Governance

- ▶ Risk Management and Compliance
- ▶ Responses to ESG-Related Risks

#### ▶ Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# Corporate Governance

## Experience & Expertise of Directors Audit & Supervisory Board Members (Skill Matrix)

We define the skills objectively required of directors from two main perspectives: "experience and track record, including quantitative criteria," and "expertise and skills necessary for the future business strategies of our group."

In the future, we believe it will be necessary to further refine the roles expected of directors in line with the Group's growth strategy and actively acquire and develop them while identifying the necessary skills and functions lacking through backcasting.

## Executive Compensation

The compensation for Macnica's directors is deliberated by the Nominating & Compensation Advisory Committee, an advisory body to the Board of Directors and is determined within the total amount of compensation resolved at the General Meeting of Shareholders by the Board of Directors. The Nominating & Compensation Advisory Committee consists of four independent outside directors and one non-executive director.

The policy for determining director compensation has been decided as follows by the resolution of the Board of Directors:

Total compensation for directors aims to align with major domestic companies' compensation levels (market standards), setting levels to pursue. Compensation is designed based on a role table reflecting the significance of each director's role.

The breakdown of director compensation includes basic compensation, bonuses (performance-based compensation), and stock compensation, with proportions targeted at 50:20:30, respectively. Basic compensation is paid monthly, bonuses are paid in July of the following year, and stock compensation is provided in July.

In determining the content of individual compensation for directors, the Nominating and Compensation Advisory Committee conducts comprehensive deliberation on the draft, including its consistency with the determination policy. Therefore, the Board of Directors generally respects this report and determines it according to the policy. Outside directors and auditors are only paid basic compensation (fixed compensation).

Name	Position	Appointed	Skills Required for Effective Functioning (Knowledge, Experience, Abilities...)									
			Corporate Management	Global	Sales and Marketing	Business Investment/M&A	DX/Solution Development	Industry Knowledge/Expertise	Finance/Investment	Risk, Legal and Compliance	ESG	Human Resources, General Affairs/ Human Resources Development, Labor
Kiyoshi Nakashima	Chairman of the Board (non-executive)	2015	●	●	●	●		●	●			●
Kazumasa Hara	Representative Director and President	2019	●		●	●	●	●	●			●
Akinobu Miyoshi	Representative Director and Vice President	2019	●	●	●		●	●				
Fumihiko Arai	Director	2015	●		●			●				
Takemasa Sato	Director	2019	●		●			●				
SEU, DAVID DAEKYUNG	Director	2015		●		●		●	●			
Eiichi Nishizawa	Director (non-executive)	2015				●		●	●	●	●	●
Hitoshi Kinoshita	Outside Director	2018	●		●		●	●			●	
Tsunesaburo Sugaya	Outside Director	2019	●	●		●		●			●	
Makiko Noda	Outside Director	2019	●		●						●	
Shinichiro Omori	Outside Director	2022	●	●		●	●	●			●	●
Shinichi Onodera	Standing Audit & Supervisory Board Member	2020	●	●	●			●				
Kei Miwa	Outside Audit & Supervisory Board Member	2023				●				●	●	
Yukie Sugita	Outside Audit & Supervisory Board Member	2023							●	●	●	

\*This table does not represent all the "knowledge, experience, abilities" held by Directors and Audit & Supervisory Board Members, but only the main ones.

## Basic Design of Executive Compensation

We have established a system where officers receive more compensation according to the scale of their roles and responsibilities, ensuring internal fairness. Also, we have adopted a compensation system with a relatively large variable ratio to enhance corporate value over the medium- to long-term.

## The total amount of compensation by executive category, the total amount by type of compensation, and the number of officers eligible at Macnica Holdings, Inc.

Classification	Total amount of compensation (Million yen)	Total amount by type of compensation (Million yen)					Number of eligible officers (persons)
		Base compensation	Stock options	Bonuses	Stock compensation	Retirement benefits	
Directors (excluding outside directors)	356	108	—	108	139	—	8
Audit & Supervisory Board Members (excluding outside auditors)	23	21	—	—	1	—	1
Outside officers	54	54	—	—	—	—	7

\* Stock compensation for auditors (excluding outside auditors) includes a compensation amount of ¥1 million through restricted stock. This compensation was provided when one auditor was also a director.  
 \* The above includes a director who retired as of the conclusion of the 8th Ordinary General Meeting of Shareholders held on June 28, 2023.



### 1. Bonuses (Performance-based compensation)

- To heighten awareness of improving company performance for each business year, we have set KPIs based on four financial items for each business year (net sales, operating income margin, ROE, operating turnover) and three items related to the development of Services & Solutions models, business strategies and management base strengthening, and employee surveys to build a strong organization. We determine compensation based on weighted achievements of these items.
- The reason for selecting these performance indicators is to encourage directors to focus on the scale of company performance, secure profit levels, implement strategies, and enhance human capital.
- Although it is based on the current Medium-Term Management Plan FY2022-2024, the current fiscal year's bonuses (performance-based compensation) have been calculated based on the financial results for the year ended March 31, 2022. The main performance values are net sales of ¥761,823 million, operating income margin of 4.8%, ROE of 15.2% (end-of-term equity), and operating capital turnover rate of 3.2 times.

### 2. Bonus and Stock Compensation (Non-Monetary Compensation)

- Stock compensation aims for medium- to long-term incentive provision and shared shareholder value. We provide stock compensation with transfer restrictions for a certain period.
- 10% of the bonus reflects the permeation of purpose and values and employee engagement points.
- In the future, we plan to reflect the perspective of ESG further. We are considering incorporating aspects such as the environment, employees, and Diversity, Equity & Inclusion (DEI) into the compensation system.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## Strengthening Governance and Risk Management

- ▶ BOARD MEMBERS
- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance
- ▶ Risk Management and Compliance
- ▶ Responses to ESG-Related Risks

## Strengthening Dialogue with Stakeholders

## FACTS & FIGURES

### View by Keyword

Value Creation

Human Capital

Diversity & Inclusion

ESG

Shareholder Returns

Dialogue with Investors (Engagement)

Glossary

Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

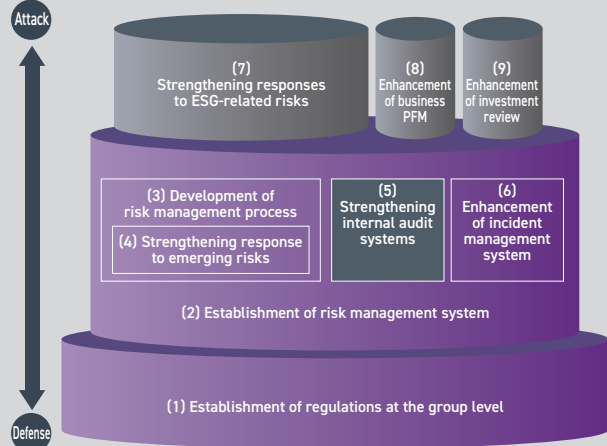
# Risk Management and Compliance

## Risk Management

### Focus Themes in the Medium-Term Management Plan

The Macnica Group, taking into consideration the requirements of the Corporate Governance Code and in view of the expansion of our business domain as a Services & Solutions Company as outlined in Vision 2030, as well as the growth in the scale of the Group, is working on the construction of a global risk management system. In FY2023, we are particularly focusing on the building and strengthening of the risk management system, (1) Development of the risk management process, (2) Enhancement of the incident management and reporting system, and (3) Establishment of regulations at the group level. In addition, we are enhancing our measures to implement, permeate, and establish them during this Medium-Term Management Plan period.

### Risk Management Themes



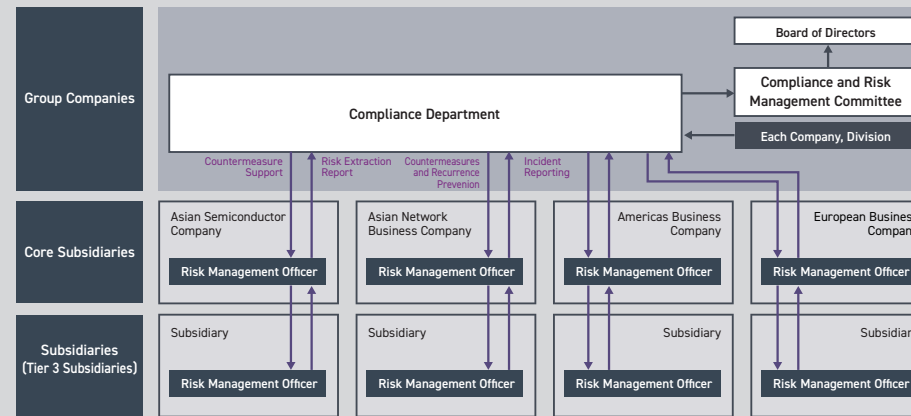
We have revised the Risk Management Regulations to establish a risk management system. Within the Compliance and Risk Management Committee, chaired by the Representative Director and President, we monitor the progress of risk management, devise necessary measures, and regularly report to the Board of Directors and the Group Management Committee.

Furthermore, in the event of an incident, we have set up a cross-functional management system to establish a task force and manage information swiftly. This ensures prompt identification of causes, implementation of countermeasures, prevention of further damage, and measures to prevent recurrence.

### Enhancing the Risk Management System

Macnica Holdings, Inc.'s Compliance Department collaborates with each department and risk management officer of each group company to establish a group-wide risk management system. Risk management officers are appointed not only in core subsidiaries but also in third-tier subsidiaries (subsidiaries under the core subsidiaries). They engage in bidirectional communication between the headquarters and group companies, as well as among group companies, to strengthen risk management.

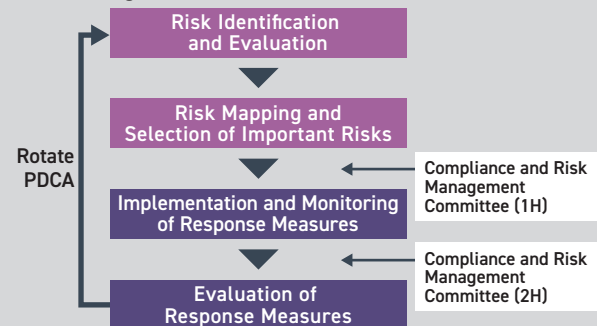
### Risk Management System Structure (as of August 2023)



### Enhancing the Risk Management Process

Against the backdrop of expanding new businesses, growing group size, and increasing social demands for sustainability management, it is essential to identify and analyze risks from both a top-down (management perspective) and a bottom-up (business field perspective). Responses need to be based on appropriate priorities. To grasp the risks of the entire Macnica Group in a timely and appropriate manner, we formulate and execute regular action plans annually.

### Risk Management Process (PDCA)



### Enhancing the Incident Management System

Incidents include incidents or accidents that have already occurred and caused damage to the Macnica Group or those with a high likelihood of occurrence. During emergencies, there is a demand for swift and appropriate reporting of incident events through expedited routes. Thus, incidents are subject to reporting, and scope and deadlines are set according to its significance. The goal is to elevate the incident management and reporting systems.

### Cybersecurity Incidents

The Information Management Committee is prepared for and collaborates with departments for cybersecurity incidents requiring swift responses.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

### Strengthening Governance and Risk Management

- ▶ BOARD MEMBERS
- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance

### Risk Management and Compliance

- ▶ Responses to ESG-Related Risks

### Strengthening Dialogue with Stakeholders

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

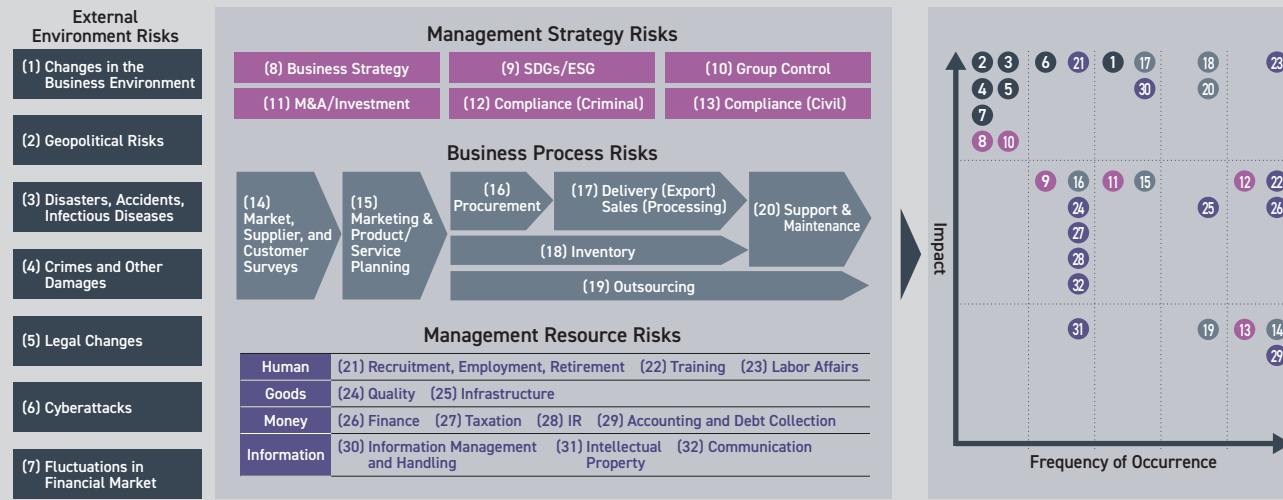


# Risk Management and Compliance

## Identifying and Mapping Key Risks

In our risk management project for FY2022, we identified key risks. After categorizing each risk, we evaluated them based on their potential impact and frequency of occurrence. As a result, we specifically pinpointed several categories of risks that the Macnica Group should closely monitor. These include the "changing business environment," where the traditional supply chain model becomes vulnerable due to

global geopolitical instability; "business strategy," where the launch of new businesses, especially those centered around **CPS solutions**, may delay; and "recruitment, employment, and retirement," where shifts in recruitment trends may make it challenging to hire top human resources, and the outflow of human resources might weaken our competitiveness. These identified risks were shared in both the Board of Directors and management meetings.



## Compliance

In line with the Macnica Group Code of Conduct, our Group is committed to respecting human rights through all business activities, adhering to relevant laws, international rules, and their spirit. We aim to fulfill our social responsibilities with high ethical standards and contribute to creating a sustainable society.

The Group established Compliance Regulations as the basis of the compliance system. A Compliance and Risk Management Committee chaired by the President was set to develop and maintain a compliance system, and if necessary, each department in charge will formulate rules and guidelines and conduct training.

We work to establish a system to eliminate anti-social forces and ensure that all officers and employees of the group will take a resolute stance against anti-social forces and will not respond to fraudulent or unreasonable demands. Checks are conducted through a system during partner screenings. Moreover, we establish and operate inter-

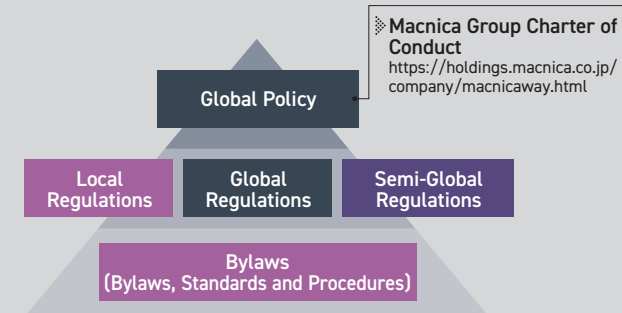
nal controls to ensure the reliability of financial reporting and appropriately evaluate their effectiveness.

## Compliance Training

To promote awareness of compliance among each employee, various departments, including Legal, Human Resources, IT, Environment, and others, conduct various training sessions. In addition, an annual compliance discussion is held in which all domestic employees participate. Employees are divided into teams of around 10 people each (FY2022: 262 groups, 2,428 people) to discuss topics such as copyright. Reports from each group are aggregated and submitted to the Compliance and Risk Management Committee. Furthermore, monthly department discussions are held in various departments at the headquarters where the reading of the Code of Conduct, which has been a kind of "bible" for employees for many years, takes place.

## Establishing Regulations

Each group company had their own company regulations. These have been systematically organized under global policies such as the Macnica Group Charter of Conduct. These were classified into global regulations that apply to all group companies, such as Compliance Regulations, Risk Management Regulations, Group Company Management Regulations, and Internal Reporting Regulations. There are also semi-global regulations that partially apply to all group companies, and local regulations that each group company enacts individually.



## Internal Reporting System

Macnica Holdings, Inc. and its group companies have established internal and external contact points for the early detection and correction of violations of laws or other acts against compliance that cannot be resolved through regular consultation routes. Not only officers and employees of the Macnica Group but also external stakeholders, such as business partners, can report.

This system is managed by the Compliance Department, operated in accordance with the Internal Reporting Regulations, and information identifying the reporter is kept confidential.

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## Strengthening Governance and Risk Management

- ▶ BOARD MEMBERS
- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance
- ▶ Risk Management and Compliance
- ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

# Responses to ESG-Related Risks

## Identifying and Analyzing Risks and Opportunities Related to Climate Change

In June 2022, Macnica Group expressed support for TCFD (Task Force on Climate-related Financial Disclosure) and joined the TCFD Consortium, a forum for discussion among supporting companies and financial institutions.

In addition, Macnica qualitatively analyzed and assessed climate-related risks, opportunities, and countermeasures for the Group's main businesses, using multiple climate scenarios to identify key items and summarizing these contents in accordance with TCFD's disclosure framework. Macnica continues efforts to enhance the disclosure of climate change-related information, contributing to the realization of a sustainable society.



### Environmental Management

In February 2023, Macnica Group formulated its Environmental VISION and Environmental Policy based on its Long-Term Management Concept and Medium-Term Management Plan.

### Environmental VISION

The Macnica Group considers the creation of a sustainable global environment to be its most important issue (materiality), along with the realization of "contributing to economic development through solving customer issues" and "establishing safe, secure, and comfortable lifestyles."

Therefore, the Macnica Group will not only reduce its own CO<sub>2</sub> emissions and achieve carbon neutrality in Scope 1 and 2, but also contribute to realizing a carbon-neutral world by 2050 through our business activities and supply chain. We will do our utmost to solve social issues such as global environmental conservation and restoration and reduction of environmental burdens.

### Environmental Policy

The Macnica Group is committed to environmental conservation activities based on three basic policies, which combine our purpose "leading in an ever-changing world," our business activities, the products we handle, and the corporate culture and social contribution activities that the Group has cultivated over the years to create a Decarbonized x Unique company. We will engage in environmental conservation activities in accordance with the following three basic policies.

- (1) Achieving carbon neutrality for the entire Macnica Group
- (2) Realizing a green society through company business activities
- (3) Contributing to society as a good corporate citizen

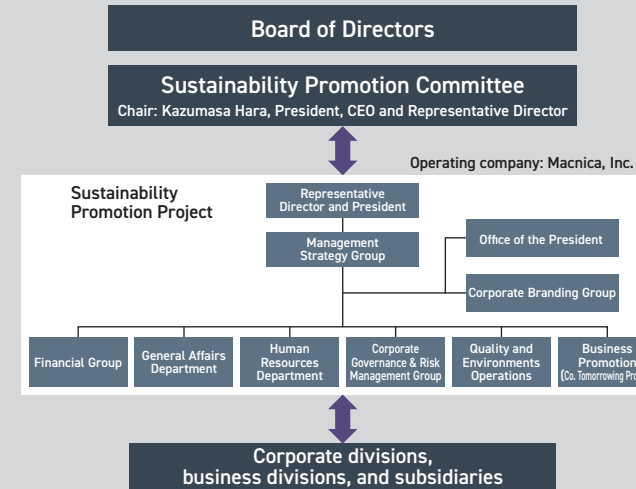
## 01 Governance

In April 2021, the Macnica Group established the Sustainability Promotion Committee, chaired by the President and Representative Director, to promote sustainability management across the entire Group.

Specific measures for environmental issues are formulated by the Sustainability Promotion Committee and discussed and resolved by the Group Management Committee, the highest decision-making body for business execution. In addition, the Sustainability Promotion Committee formulates action plans for measures to address unresolved environmental issues and monitors the progress.

The Board of Directors receives reports from the Sustainability Promotion Committee and discusses and supervises policies, measures, and action plans to address the Group's environmental issues. The President and Representative Director chairs the Group Management Committee and the Sustainability Promotion Committee, which reports to him and is responsible for making management decisions related to environmental issues. The details formulated by the Sustainability Promotion Committee and discussed and resolved by the Group Management Committee are reported to the Board of Directors.

### Macnica Group Sustainability Promotion System

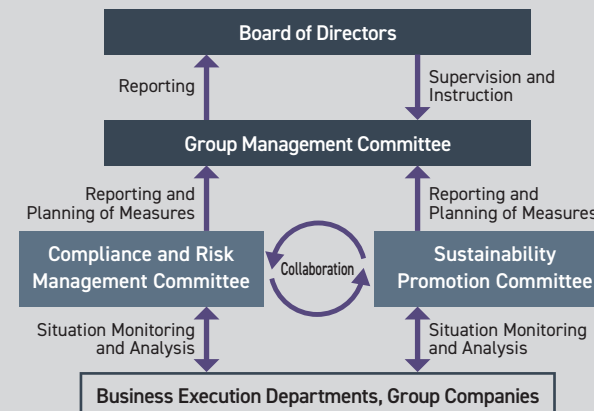


## 02 Risk Management

The Compliance and Risk Management Committee, chaired by the President and Representative Director, assesses the status of risk management and compliance in the Group's business operations, reports to the Board of Directors and the Group Management Committee, and plans and formulates necessary measures.

The Sustainability Promotion Committee conducts scenario analysis to identify climate change risks and opportunities to understand and evaluate the impact of climate change on our business. The identified risks and opportunities are managed by the Compliance and Risk Management Committee and the Sustainability Promotion Committee in both strategy formulation and individual business operations.

### Macnica Group Risk Management System on Sustainability



## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

### ► Strengthening Governance and Risk Management

- BOARD MEMBERS
- Message from Chairman of the Board
- Messages from Outside Directors
- Corporate Governance
- Risk Management and Compliance

### ► Responses to ESG-Related Risks

### ► Strengthening Dialogue with Stakeholders

## FACTS & FIGURES

### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

## Responses to ESG-Related Risks

### 03 Strategy

Based on TCFD recommendation, the Macnica Group conducted a scenario analysis with three major domestic businesses in 2030<sup>1</sup> to identify and evaluate risks and opportunities and to understand the medium- to long-term impact of climate-related issues on our business. The analysis employed two scenarios: the 4°C scenario, which assumes that the global average temperature will rise by around 4°C by 2100, compared with pre-industrial levels, and the 2°C scenario, which assumes an increase of around 2°C. In each scenario, analyses were conducted on the transition of policies and market trends (transitional risks and opportunities) and physical changes due to disasters (physical risks and opportunities).

#### Scenario Analysis

In the process of analysis, Macnica identified the impact factors related to climate change for each scenario, verified the degree of impact on the business of about 400 items, and identified the most important scenarios among them. For each scenario identified, the degree of impact was verified quantitatively and qualitatively, and the importance was assessed as large, medium, or small.

	Risk, Opportunity Types	Risks, Opportunity Factors	Business Impact	Assessment	Response Policy	
Risks	Transition	Policy & Regulations	Introduction of carbon tax	Purchase prices will rise due to carbon taxes being passed on to manufacturing and logistics costs.	Large	Securing profitability through DX (Medium-Term Management Plan)
			Tightening regulations on internal combustion engine vehicles due to the transition to EVs	Expansion of EV market will reduce sales of existing internal combustion engine automotive parts	Middle	Focus on the EV market (Medium-Term Management Plan)
			Increase in energy and power procurement costs	Incurring additional costs due to the procurement of renewable energy	Small	Introduction and replacement of equipment with high energy-saving effects
		Technology	Increased capital expenditure and fuel costs	Introduction of low-carbon technology in offices will increase capital investment costs	Small	Medium- to long-term neutral reduction of GHG emissions
			Growing penetration of low-GHG semiconductor products	Achieving low GHG in semiconductor manufacturing processes will generate a large amount of EOL/PCN <sup>2</sup> , which increases response costs.	Small	Promoting automation through DX (Medium-Term Management Plan)
			Market	Accelerated direct sales between manufacturers and customers	To reduce GHG emissions in logistics, direct sales between manufacturers and customers will progress	Large
	Transition to low-carbon technologies	Business will stagnate or sales will decline due to slow adaptation to changes in customer demand and markets		Small	Shift to highly efficient power semiconductors and other products with environmental performance	
	Physical	Reputation	Changes in the behavior of investors, customers, applicants, and other stakeholders	Delayed or low levels of environmental consideration will lead to loss of business opportunities and damage to corporate and brand value	Small	Proactive and continuous efforts to address climate change
			Acute Physical Risk	Impact of flooding on offices and logistics bases	With increased severe weather, business activities will decline due to employee's inability to work	Small
		Impact of storm surge on offices and logistics bases		Losses will occur due to storm surge damage to offices in coastal areas, Shinkoyasu logistics facility.	Small	Preparation of BCP countermeasure manuals
Chronic Physical Risk		Sea level rise	Due to rising sea levels, Shinkoyasu logistics facility will be relocated or new logistics bases will be constructed	Small	Continued consideration in the Long-Term Management Plan	
Opportunity	Market	New business opportunities	New business opportunities such as Foodtech and renewable energy will increase	Large	Active expansion to related markets (Medium-Term Management Plan)	
		Increased sales in line with the expansion of the EV market	Semiconductor sales for EVs will increase due to the expansion of EV market	Large	Focus on the EV market (Medium-Term Management Plan)	

### 04 Metrics and Targets

We have set greenhouse gas emission (GMG) reduction targets and are promoting initiatives to reduce CO<sub>2</sub> emissions in our business activities. We have set CO<sub>2</sub> reduction targets based on SBT<sup>3</sup> and will actively work to reduce our environmental impact.

#### Greenhouse Gas Emissions by Scope

Item	Scope	Emissions (t-CO <sub>2</sub> )	
		FY2021	FY2022
Scope1	Including overseas consolidated subsidiaries	794.31	719.88
Scope2	Including overseas consolidated subsidiaries	2,453.96	1,267.48
Scope3 <sup>4</sup>	Domestic sites only	1,705,997.65	2,548,482.34
	Including overseas consolidated subsidiaries	—	4,745,613.80
Total emissions	Comparison based on the same calculation method (scope) as in FY2021	1,709,245.92	2,550,469.70
	Global support	—	4,747,601.16

#### CO<sub>2</sub> Emissions Reduction Targets

From FY2022, we calculate Scope 3 GHG emissions for consolidation, including overseas subsidiaries (as a global response), as with Scopes 1 and 2. We have decided to change all base years from FY2021 to FY2022 for Scope 1-3.

Index	Base year	Target year	Objective
Scope 1-2 reduction rates	FY2022	2030	▲42.0%
		2050	▲100%
Scope 3 reduction rate	FY2022	2030	▲25.0%

\*1: The three businesses are the Semiconductor, Network, and Services & Solutions business.

\*2: EOL/PCN (End Of Life/Product Change Notice): Issued by a manufacturer on discontinuation of production or sales, a change or addition to the manufacturing process or production plant, or a change in product specifications.

\*3: Science Based Targets are greenhouse gas emission (GHG) reduction targets set by companies based on scientific research to achieve the COP21 Paris Agreement long-term goals to limit the rise in temperatures due to climate change to less than 2°C.

\*4: Total of categories 1 ~ 8

#### Introduction / Purpose

##### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### ▶ Strengthening Governance and Risk Management

- ▶ BOARD MEMBERS
- ▶ Message from Chairman of the Board
- ▶ Messages from Outside Directors
- ▶ Corporate Governance
- ▶ Risk Management and Compliance

#### ▶ Responses to ESG-Related Risks

#### ▶ Strengthening Dialogue with Stakeholders

#### FACTS & FIGURES

##### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

##### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



## Responses to ESG-Related Risks

### Supply Chain Management

As a global company operating in 23 countries and regions worldwide and as a trading company group collaborating with various stakeholders, including semiconductor manufacturers, client companies, government agencies, and local governments, we believe in our social responsibility to respect human rights, ensure labor safety, reduce environmental impact, and conduct fair and transparent business transactions.

To promote sustainable business across the entire supply chain, we have established CSR Policy and the Charter of Conduct, which are well communicated to all employees and domestic and international group companies. Furthermore, in February 2023, we disclosed the "Partnership Building Declaration," announcing our commitment to fostering new collaborations that transcend scale and affiliation for our entire supply chain's coexistence and mutual prosperity.

All these policies are disclosed on our website and other platforms to ensure widespread awareness throughout the supply chain.

### Introduction of Traceability

In our semiconductor business, we acquire information from supplier labels upon receipt and link it to supplier manufacturing information. Additionally, by implementing thorough barcode management during product storage and shipment processes, we ensure traceability across the entire supply chain from suppliers to customers (delivery destinations).

In case of any issues, we can swiftly identify the scope of impact based on supplier manufacturing information and minimize the extent of the impact.

### Business Activities with Information Security Consideration

We perceive preserving information assets in our business activities as a corporate responsibility and a significant management issue and are committed to strengthening information security measures. Under the concept of "Zero Trust," we utilize the latest technology handled by Macnica to introduce endpoint products and multi-factor authentication, striving to minimize the risk of information leaks due to cyberattacks. We also regularly conduct mock attack training for employee education, implement measures based on the results, and have set up an in-house CSIRT consisting of experts to prepare for any contingencies. [P.46 IT & DX Strategy](#)

### Macnica Group Human Rights Policy

In our Policy on Sustainability [P.29](#) towards 2030, we declare "Promotion of Global Management with Consideration to Environment & Human Rights and Strengthening the Supply Chain." Recently, corporations have been called upon to respect human rights as their responsibility, and efforts to respect human rights not only within their groups but also throughout the supply chain are particularly emphasized. In this context, as a player connecting the upstream and downstream of the supply chain, our Group has compiled our approach in the Macnica Group Human Rights Policy and declared it internally and externally in December 2022.

#### Macnica Group Human Rights Policy

Macnica Holdings Group ("Macnica Group") believes that conducting honest and just management aligned with social justice and harmonizing with the international and local communities is essential. Our Management Policy Handbook clearly states this, distributed to all employees. Furthermore, the Macnica Group Charter of Conduct also aims to comply with laws and regulations in various countries and regions, respect various international norms, including human rights, and conduct management that considers culture, customs, and stakeholders' interests, contributing to the development of the economic society in the respective country or region.

Based on the aforementioned management policy and Charter of Conduct, this policy declares the fundamental approach to the Macnica Group's efforts to respect human rights.

#### Contents: Macnica Group Human Rights Policy

1. Philosophy
2. Scope of Application
3. Support and Respect for International Norms
4. Human Rights Due Diligence
  - (i) Human rights impact assessment
  - (ii) Dialogue/consultation
  - (iii) Implementation of effect verification
  - (iv) Education and enlightenment
  - (v) Information disclosure to the outside
5. Remedy/Correction Process (Grievance Mechanism)
6. Specific Policy
  - (i) D&I, Harassment, Discrimination
  - (ii) Human rights related to the latest technology
  - (iii) Human rights in the supply chain
  - (iv) Forced labor/Child labor
  - (v) Working environment
7. Commitment

[https://www.macnica.co.jp/company/sustainability/human\\_rights/](https://www.macnica.co.jp/company/sustainability/human_rights/)

### To Disseminate Human Rights Policy

We are currently conducting training (e-learning) to ensure the penetration of the Macnica Group Human Rights Policy among all employees and have translated it into English and Chinese (both simplified and traditional) for employees of our overseas group companies. We also promote awareness of the policy to suppliers, contractors, and other business partners and urge them to comply. Furthermore, to provide access to human rights remedies, we have set up a contact point to accept complaints not only from executives and employees of our headquarters and group companies but also from external stakeholders.

TOPIC

### Towards a Further Stage of Advocating for Human Rights

Mandatory training on unconscious bias and harassment (e-learning) has been carried out for all employees, continuing for new and mid-career hires. Additionally, these topics were discussed during annual compliance discussions attended by all employees. To better understand and eliminate discrimination against LGBTQ, training was provided for executives, and it was turned into e-learning for all employees to take. Special training on handling LGBTQ coming-out scenarios has been introduced for new managers and will be expanded for all employees.



Training for Executives on LGBTQ

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
—LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

DISCIPLINE  
—LIMITLESS RESILIENCE  
**Responding to Change**

#### ► Strengthening Governance and Risk Management

- BOARD MEMBERS
- Message from Chairman of the Board
- Messages from Outside Directors
- Corporate Governance
- Risk Management and Compliance

#### ► Responses to ESG-Related Risks

#### ► Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

#### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website



## Co.Tomorrowing MACNICA

### Multi-Stakeholder Policy

<https://www.macnica.co.jp/en/company/sustainability/multistakeholder/>

Employees and their families

Customers

Business partners

Local communities

Creditors

Shareholders and investors

## Strengthening Dialogue with Stakeholders

Macnica believes that in corporate management, co-creating value with various stakeholders, including shareholders and investors, employees and their families, customers, business partners, creditors, and the local community, is of paramount importance. Bearing this in mind, we are committed to fostering appropriate collaborations with multi-stakeholders. From the perspective that appropriate distribution of profits and achievements generated by value co-creation and productivity improvements to multi-stakeholders leads to the maintenance of wage increase momentum and sustainable economic growth, we recognize the importance of returning profits to employees and consideration for business partners and are taking various initiatives.

## Social Contribution Activities

Macnica proactively conducts social contribution activities as a “good corporate citizen,” as stated in our Charter of Conduct. We aim to create a happy future society for people around the world through co-creation activities by contributing to environmental preservation, regional revitalization, cultural and sports promotion, and supporting children and young people who will lead the future.

### Community Cleanup Activities

Since the 1990s, our former headquarters located in Yokohama City’s Hakusan High-Tech Park, along with five other companies, had been participating in regular cleanup and weeding activities in the surrounding area. This spirit of community contribution continued even after our headquarters relocated to Shin-Yokohama in 2002. Since then, we have been participating in environmental maintenance activities twice a year, coinciding with environmental maintenance days of the company. Since 2018, we have also conducted community cleanup activities at domestic sales bases. Nearly 400 employees participate in the headquarters area each time, collecting garbage and weeds thoroughly. In recent years, our contributions have been featured in the Shin-Yokohama Neighborhood Association Newsletter, and the local community has greatly appreciated our efforts.



### Protection and Preservation of the Natural Environment

At Macnica Galaxy (Taiwan), we are involved in various sustainability initiatives. One is the annual beach cleanup activity with employees and their families on June 8. We resonated with the concept of World Ocean Day, established by the United Nations General Assembly in 2008. We reflect on our connection with the shared oceans around the world and the role they play in our lives, and we raise awareness about their vital importance and the protection and conservation of the natural environment.



### Technology Support to Chiba Institute of Technology

In November 2021, amidst a semiconductor shortage, the robot team CIT Brains from Chiba Institute of Technology contacted us, seeking NVIDIA products to win the Robocup international competition. Moved by the students’ passion, the NVIDIA team happily agreed, delivering a “Jetson Xavier NX module + 3rd party manufactured Carrier board” free of charge in March 2022. In July, good news arrived that the CITBrains won the RoboCup2022 Humanoid League Kidsize 4on4 using the robot supported by our company!



This collaboration led to organizing NVIDIA technology seminars and further academia-industry cooperation, including planning and invitations to NVIDIA technical seminars useful for robot development.

### Contribution to STEAM Education

To contribute to SDG No. 4 “Quality Education for All,” we conducted a programming class using robots for nearby Shinohara Elementary School’s programming club students. Using unique materials developed by the STEAM education “Tsumiki Project,” which our company promotes in collaboration with three other companies\*, we let the children experience the cycle of exploration and creation by watching robots move according to their programs. We aim to continue letting children have fun with new technologies, contributing to a hopeful future by supporting their problem-solving and value-creation skills.



\*Gakken Plus Co., Ltd, TAMIYA INC., Yukai Engineering Inc., Macnica, Inc.

### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica’s Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### ► Strengthening Governance and Risk Management

- BOARD MEMBERS
- Message from Chairman of the Board
- Messages from Outside Directors
- Corporate Governance
- Risk Management and Compliance
- Responses to ESG-Related Risks

#### ► Strengthening Dialogue with Stakeholders

### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
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## Enhancing Corporate Value through Dialogue

Our Group values dialogue with stakeholders such as analysts, institutional investors, and individual investors. Members of our management team generally attend these dialogues. Through these discussions, we explain our perspectives and incorporate valuable opinions into our future management strategies, enhancing corporate value.

### Shareholder and Investor Interests

Due to the nature of our business, which offers advanced solutions in semiconductors and IT, it is challenging to straightforwardly compare our strengths and business model with competitors. Therefore, after announcing financial results, we strive to create opportunities for dialogue with many analysts and institutional investors to help them better understand Macnica.

We have summarized frequently asked questions from investors.

#### FY2022 IR Activities Highlights

- Financial Results Briefing ..... Held every half-year
- Events for Individual Investors ..... Held twice
- Number of Investor Meetings ..... 159 times
- Number of New Investor Meetings ..... 32 times

FAQ from Shareholders and Investors	Our Responses
Our Strengths	We disclose a complete view of our strengths in this integrated report, including non-financial capital, and update it annually. We also plan to regularly update and enrich our website for rapid information dissemination.
Our Medium- to Long-Term Vision	We explain this during our financial result briefing. The progress of the Medium-Term Management Plan is disclosed twice a year, at the time of the interim and full-year financial results.
Our Human Resource Development Policy	In this integrated report, we disclose the framework of programs related to human development and our approach to personnel systems. We will continue to strive for the timely and concrete dissemination of information through integrated reports.
Future Market Growth in the Semiconductor and Cybersecurity	Annual updates and announcements are made in the financial results on the market growth rate, our business's growth rate, and our business's direction.
CPS Solutions Business	We explain specific examples and business models during our interim and full-year results announcements regarding the CPS solutions business. Furthermore, we will swiftly and comprehensively disclose as much information as possible about concrete examples of <u>CPS solutions</u> on Macnica's website.

### Towards Further Enhancement of IR Activities

We aim to further enhance our IR activities and hope to deepen the understanding of our company among our stakeholders. In our IR activities, we make full use of our human network, which is our specialty, and we are evolving it while receiving advice from various sources. For example, we are accompanied by external experts who are well-known both in Japan and abroad as authorities on corporate value creation, and we hold a number of discussions on how we can promote understanding of our uniqueness among our stakeholders. We had in-depth discussions regarding our company's purpose, formulated in 2022, refined its content while creating this integrated report.

#### Key Themes for IR Activities in FY2023 and Efforts to Strengthen IR Department

##### Proactive IR Activities for Overseas Investors

We are strengthening our IR activities for overseas investors. While we had 97 meetings with overseas investors in FY2022, we aim to increase this number to 150 in FY2023. In addition to on-line interactions, we are also planning in-person overseas roadshows.

##### Enhanced Disclosure Content

In FY2022, we posted transcripts of the interim and full-year financial results briefing on logmi's platform. Additionally, we regularly issue and update reports by Global IR. In FY2023, we will further strengthen information disclosure through the integrated report and enhance information disclosure in English.

##### IR Website Update

Recognizing that our website lacks coordination with the Macnica Inc.'s website, we acknowledge the challenge of stakeholders finding its structure difficult to understand. We initiated a project to launch a user-friendly website with rich content.

## M E S S A G E

### Unveiling Macnica's True Strengths to Foster Anticipation for Future Growth

The Macnica Group consistently anticipates "beyond the cutting-edge" and pioneers business in technically challenging areas and emerging markets. Therefore, our business domains cannot be defined as the semiconductor or cybersecurity markets. We consider this a factor that may be difficult for stakeholders to understand. Drawing from my experience in the semiconductor and cybersecurity business departments, I would like to engage in dialogues while employing various innovations to foster an understanding of our business model and strategy.

Furthermore, our growth driver is non-financial capital, especially the Power of People. It is impossible to discuss our strengths without explaining non-financial capital. With the issuance of this integrated report, we have put forth our utmost effort to systematically communicate how the powers we have honed since our founding contribute to our business and bring about social value. We will continue enriching our IR activities through enhanced dialogue and content.



**Daijiro Mano**

General Manager  
Management Planning Department

Joined Macnica, Inc. in 2001. Engaged in sales and marketing in semiconductor business. In 2016, seconded to Macnica Networks Corp. Since October 2022, General Manager, Management Planning Department after serving in sales and operations.

#### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

#### ► Strengthening Governance and Risk Management

- BOARD MEMBERS
  - Message from Chairman of the Board
  - Messages from Outside Directors
  - Corporate Governance
  - Risk Management and Compliance
  - Responses to ESG-Related Risks

#### ► Strengthening Dialogue with Stakeholders

#### FACTS & FIGURES

#### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
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"We are Macnica. Nice to meet you." With this feeling, we created this integrated report. It is heartening to know that you recognize Macnica as a semiconductor trading company. Within the semiconductor trading industry and in the field of cybersecurity, we hold a significant position. We are a unique and limitless company actively engaging in new business endeavors, and we hope you will come to understand that.



**Tomoisa Arai**  
Director  
Management Planning Department  
Macnica, Inc.

Macnica is a company with many appealing qualities as you get to know it better. The future seeds (technologies) that Macnica gathers globally are combined in various ways and are implemented, marking a phase towards solving significant social challenges. Partners facing challenges alongside us are increasing, and we aim to build a co-creation ecosystem by actively communicating internally and externally.

**Tomoko Matsumoto**  
General Manager  
Branding Promotion Office  
Corporate Branding Group  
Macnica, Inc.



I feel the realization of our strategy producing unique strengths, improving performance, and leading to a reassessment of stock prices. Vision 2030 aims for even higher stages. To increase its feasibility, we are engaging with shareholders and investors to transform into a stronger corporate entity. It is time to signal that "Macnica is focusing on IR" and enhance corporate value. Alongside the integrated report, we will actively expand our website and disclose information in English.

**Toshihiro Koga**  
Manager  
Investor Relations  
Management Planning Department  
Macnica, Inc.

## VOICE

### On Issuing the Integrated Report

In issuing LIMITLESS 2023, we formed cross-functional teams and conducted weekly and specialized meetings over several months. Through discussions, we arrived at the first issuance of an integrated report. We will continue to provide diverse stakeholders with concrete information in a real sense.

I joined Macnica through a career hire, and I was astounded by the culture of empowering employees and truly embedding this belief at the ground level. My supervisor entrusted me with participating in this integrated report project, and I felt it was an opportunity for my personal growth. I want to continue leveraging the proximity and speed of management to take on new challenges like Technology x HR.

**Akari Sasaki**  
Human Resources Department  
Macnica, Inc.

There is no old-fashioned rigidity here; rationality and logic are esteemed, and it is an environment where it is easy to assert what is right as right. There is a culture of freedom and openness. However, what is attractive is that we also possess the deep sentiment of the Japanese. Unconscious biases persist in Japanese society, but I want to achieve true diversity and inclusion management.

**Miki Sakakibara**  
Executive Officer  
Macnica Holdings, Inc.  
Attorney at Law (Japan and California, USA)



Corporate governance enhances corporate value over the medium- to long-term, and the Board of Directors ensures its functioning. I would like to support them to concentrate on important discussions, such as human resources, strategy, and risk. Companies constantly change, and individuals change and grow with them. Whether you are young or considered a veteran if you have the motivation, Macnica provides a place for growth—that is what our company is about.

**Tomohisa Asano**  
Executive Officer  
Board of Directors Office  
Macnica Holdings, Inc.



#### Introduction / Purpose

#### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

- ▶ Strengthening Governance and Risk Management
  - ▶ BOARD MEMBERS
  - ▶ Message from Chairman of the Board
  - ▶ Messages from Outside Directors
  - ▶ Corporate Governance
  - ▶ Risk Management and Compliance
  - ▶ Responses to ESG-Related Risks
- ▶ Strengthening Dialogue with Stakeholders

#### FACTS & FIGURES

##### View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

##### Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

Macnica provides an environment where individuals can reflect on their own values and behavioral norms without becoming complacent, and continually strive to improve by setting up discussions. Unbound by preconceptions, our company continues to challenge the implementation of latest technology. I hope that you resonate with our company's business and aspirations, move the hearts of all of our stakeholders and together, inspire change in society.



**Yuko Tsukamoto**  
 Director  
 Communications Department  
 Marketing Department  
 Corporate Branding Group  
 Macnica, Inc.

Macnica's corporate culture aligns well with my values. Especially, the "Open, fair, transparent" culture resonates with me. Thanks to this culture, the quality of communication improves, waste is reduced, and as a result, the efforts of all employees can be directed towards our business. Since our foundation, we have consistently nurtured our strengths and evolved by repeating the basics, like valuing what needs to be changed. To ensure that you understand the entirety of the evolution towards Vision 2030, we will strive to enhance dialogue through the integrated report and more.

**Daijiro Mano**  
 General Manager  
 Management Planning Department  
 Editor-in-Chief  
 Integrated Report Project



**Jun Miyahara**  
 Director  
 Compliance Department  
 Corporate Governance &  
 Risk Management Group  
 Macnica, Inc.

**VOICE**  
**On Issuing the Integrated Report**

Macnica has an honest corporate culture, and the employees listen carefully to the advice from the Compliance and Legal departments. We have diverse talents in our department and actively challenge unprecedented tasks. I want to deepen collaboration with group companies, attain resilience as a genuinely global, excellent company, and contribute to establishing the foundation for governance and risk management.



The aspect of Macnica that I love is the atmosphere that makes you feel "I am contributing to the company." The culture of trust that allows you to be entrusted with responsibilities brings about this feeling. Moreover, when I joined the company 26 years ago as a mid-career hire, I was surprised that I could talk to directors on an equal footing. Even now, an open and transparent relationship persists, which I adore. Even from the perspective of HR, Macnica has attractive employees, so I hope you will communicate with them.

**Hisao Ito**  
 Deputy General Manager  
 Human Resources Division  
 Macnica, Inc.



For further growth, we aim to enhance collaboration with the Financial Group and overseas group companies more than ever before. We intend to construct functionality that allows coordination of group companies for accounting and finance. Based on early and accurate financial results and disclosures, we will tackle various risks and continue to challenge new financial initiatives for sustainable growth.

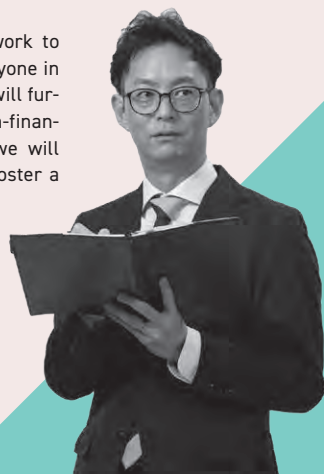
**Yukihide Aoki**  
 Senior Specialist  
 Group Financial Planning Dept.  
 Financial Group  
 Macnica, Inc.



Carefree opinions can be expressed regardless of position or age, which is what I like about Macnica. The words "Open and Fair" are often used, and it is also appealing that even from a young age, you are entrusted with work. The allure of HR work is being able to converse with the President and Vice President directly. We, as HR, thoroughly digest the company's decision-making and contribute to creating a better company.

**Yasushi Mizutani**  
 Manager  
 Human Resources Department  
 Macnica, Inc.

Macnica was not widely known, but we will work to make our company's appeal understood by everyone in the future. We believe that our corporate value will further expand by conveying the strengths and non-financial capital we have cultivated. Additionally, we will activate internal communication and strive to foster a better corporate culture and environment.



**Tateki Nakayasu**  
 General Manager  
 Office of the President  
 Macnica, Inc.

**Introduction / Purpose**

**CEO MESSAGE**

**MACNICA, THE FIRST PENGUIN**  
**—LIMITLESS PASSION**  
**Why is Macnica a Pioneer?**

**VISION & STRATEGY**  
**—LIMITLESS GROWTH**  
**Macnica's Medium- to Long-Term Strategy**

**DISCIPLINE**  
**—LIMITLESS RESILIENCE**  
**Responding to Change**

► **Strengthening Governance and Risk Management**

- BOARD MEMBERS
- Message from Chairman of the Board
- Messages from Outside Directors
- Corporate Governance
- Risk Management and Compliance
- Responses to ESG-Related Risks

► **Strengthening Dialogue with Stakeholders**

**FACTS & FIGURES**

**View by Keyword**

<b>Value Creation</b>	<b>Human Capital</b>
<b>Diversity &amp; Inclusion</b>	<b>ESG</b>
<b>Shareholder Returns</b>	<b>Dialogue with Investors (Engagement)</b>
<b>Glossary</b>	<b>Table of Contents &amp; Editorial Policy</b>

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## FACTS &amp; FIGURES

Key Consolidated Financial Summary (8 years)

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Operating Results (Million yen)								
Net Sales	405,315	398,503	504,085	524,235	521,193	553,962	761,823	1,029,263
Gross Income	44,287	46,269	56,094	61,061	59,891	64,835	90,718	125,903
Ordinary Income	9,729	10,473	15,163	15,324	14,447	18,769	36,707	61,646
Operating Income Margin	2.4%	2.6%	3.0%	2.9%	2.8%	3.4%	4.8%	6.0%
Operating Income	10,176	9,635	14,937	13,101	11,072	16,399	35,487	56,832
Net Income attributable to Owners of Parent	7,285	6,534	11,412	8,883	5,633	10,875	25,798	41,030
Cash Flows from Operating Activities	△ 1,208	3,169	△ 28,595	△ 30,173	45,770	38,076	△ 15,534	38,896
Cash Flows from Investing Activities	△ 1,460	△ 1,083	△ 1,804	△ 7,251	△ 8,919	△ 2,181	△ 1,653	△ 869
Cash Flows from Financing Activities	2,942	△ 8,322	43,699	21,916	△ 35,797	△ 26,189	14,368	△ 27,100

Financial Position (Million yen)								
Total Assets	201,171	215,158	266,738	299,259	263,247	269,590	362,584	517,620
Net Assets	107,620	104,769	128,213	135,399	135,551	146,010	179,764	207,762

Per Share Information (yen)								
Net Assets	1,810.53	1,878.66	2,009.92	2,115.96	2,141.60	2,289.58	2,734.55	3,299.25
Net Income	124.29 <sup>*1</sup>	114.03 <sup>*1</sup>	206.08	142.03	90.14	175.39	414.89	664.89
Annual Dividend	40	35	50	50	50	50	100	140

Key Financial Indicators								
Equity Ratio (%)	52.6	47.9	47.1	44.2	50.2	52.7	46.9	38.6
Return On Equity (ROE) (%)	6.9	6.3	10.1	6.9	4.3	7.9	16.5	22.2
Working Capital Turnover <sup>*2</sup> (Times)	3.5	3.1	3.0	2.4	3.0	3.4	3.2	4.4
Dividend On Equity Ratio <sup>*3</sup> (DOE) (%)	2.2	1.9	2.5	2.4	2.3	2.2	3.7	4.2
Total Payout Ratio (%)	32.3	113.1	44.3	35.3	88.8	28.6	24.1	35.6

\*1 Diluted Net Income Per Share

\*2 Working Capital Turnover = Annual Sales / Working Capital (Accounts Receivable + Inventories - Accounts Payable, at end of the period)

\*3 DOE = Total Dividends Paid during the year / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)

## Introduction / Purpose

## CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

## FACTS &amp; FIGURES

▶ Financial Summary

▶ Non-Financial Summary

▶ Glossary

▶ Corporate Information

## View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

## Related Information

 Macnica Holdings, Inc. IR Website

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 Macnica, Inc. Website



# FACTS & FIGURES

## Key Non-Financial Summary (4 years)

Social Data	FY2019	FY2020	FY2021	FY2022
<b>Human Resources</b>				
Number of consolidated employees (persons)	3,453	3,513	3,925	4,203
Number of consolidated employees Male/ Female (%)	69%/31%	70%/30%	68%/32%	67%/33%
<b>Macnica, Inc. (Non-consolidated)</b>				
Number of employees*1 (persons)	1,977	2,234	2,322	2,454
Number of employees*1 Male/ Female (%)	73%/27%	72%/28%	72%/28%	71%/29%
Average years of service (years)	10.8	11.5	10.9	10.7
Average age of employees (age)	38.9	40	39	38.9
Number of full-time employees recruited (persons)	139	91	195	221
Number of full-time employees recruited Male/ Female (%)	71%/29%	76%/24%	73%/27%	67%/33%
Gender pay gap (Full-time employees / Temporary employees) (%)	-	-	-	Full-time: 63.2% Temporary: 47.6%
Gender pay gap (all employees) (%)	-	-	-	58.9%
New graduate employees' resignation rate within 3 years (%)	13.9%	20.6%	18.5%	20.0%
New graduate/mid-career hire ratio New graduate/mid-career (%)	42%/58%	61%/39%	34%/66%	30%/70%
Resignation rate (Management / Staff) (%)	Total 4.3% Management 1.4% Staff 2.9%	Total 4.0% Management 0.7% Staff 3.3%	Total 4.4% Management 1.1% Staff 3.3%	Total 4.5% Management 1.2% Staff 3.4%
Voluntary resignation rate (Management / Staff) (%)	Total 4.2% Management 1.4% Staff 2.8%	Total 3.7% Management 0.6% Staff 3.1%	Total 4.2% Management 1.0% Staff 3.2%	Total 4.3% Management 1.1% Staff 3.3%
Ratio of female managers (%)	5.3%	4.6%	5.0%	5.2%
Total working hours (Annual / average per person / hour)	1,837	1,841	1,831	1,851
Regular working hours (Annual / average per person / hour)	1,815	1,815	1,800	1,823
Paid leave acquisition rate (%)	55%	60%	45%	53%
Childcare leave acquisition rate Male / Female (%)	-	-	8%/100%	26%/100%
Reemployment rate of childcare leave takers Male/Female (%)	-	-	100%/100%	100%/100%
Number of employees with reduced working hours for childcare (persons)	53	74	77	71
Employment rate of disabled persons (%)	2.23%	2.07%	2.03%	2.50%
Employed disabled persons outside of special facilities (persons)	0	0	0	0
Number of reemployed individuals (Reemployed / retired at retirement age) (persons/%)	9/10 (90%)	4/6 (67%)	10/12 (84%)	11/12 (92%)
Temporary employees (persons)	168	173	204	232
Labor accidents (Absence due to accidents)	0	0	0	0
Labor accidents (Fatal accidents)	0	0	0	0
Health checkup participation rate (%)	83.9%	80.3%	86.0%	88.3%
Stress checkup participation rate (%)	80.3%	89.1%	82.9%	93.1%
Telework rate*2	-	-	-	65%
Telework eligibility rate*3	-	100%	100%	100%

Environmental Data		FY2020	FY2021	FY2022
<b>Energy</b>				
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	Calculation method similar to FY2021 (Scope of application)	-	1,709,245.92	2,550,469.70
CO <sub>2</sub> emissions (t-CO <sub>2</sub> )	Scope 1-3 (Global response)	-	-	4,747,601.16
Scope 1 (t-CO <sub>2</sub> )	Includes overseas consolidated subsidiaries	-	794.31	719.88
Scope 2 (t-CO <sub>2</sub> )	Includes overseas consolidated subsidiaries	-	2,453.96	1,267.48
Scope 3 (t-CO <sub>2</sub> )	Total of Category 1-8 (Domestic bases only)	-	1,705,997.65	2,548,482.34
Scope 3 (t-CO <sub>2</sub> )	Total of Category 1-8 (including overseas consolidated subsidiaries)	-	-	4,745,613.80
Total power consumption (thousand kWh)		5,327	5,292	5,098

Governance Data	6/2020	6/2021	6/2022	6/2023
<b>Directors and Audit &amp; Supervisory Board Members</b>				
Internal Directors (persons)	8	8	8	7
Outside Directors (persons)	4	4	4	4
Ratio of Outside Directors (%)	33.3%	33.3%	33.3%	36.4%
Ratio of Female Directors (%)	8.3%	8.3%	8.3%	9.1%
Standing Audit & Supervisory Board Member	1	1	1	1
Outside Audit & Supervisory Board Members (persons)	2	2	2	2
Ratio of Outside Audit & Supervisory Board Members (%)	66.7%	66.7%	66.7%	66.7%

Board of Directors, Audit & Supervisory Board, Nominating and Compensation Advisory Committee	FY2020	FY2021	FY2022	FY2023
Number of Board Meetings (times)	13	14	14	14
Board Meeting Attendance Rate (%)	90.0%	100%	100%	99.4%
Number of Audit & Supervisory Board Members Meetings (times)	13	14	13	12
Audit & Supervisory Board Members Meeting Attendance Rate (%)	100%	98%	100%	100%
Number of Nominating and Compensation Committee Meetings (times)	6	5	5	6
Nominating and Compensation Committee Attendance Rate (%)	100%	100%	100%	100%

\*1 Direct employees only  
 \*2 Before FY2019, no data available. Estimated to be around 80% for FY2020-FY2021 due to the spread of COVID-19.  
 \*3 Differences in usage frequency exist after the spread of COVID-19, but telework is generally available to all employees.

# INDEX

## Introduction / Purpose

### CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
 —LIMITLESS PASSION  
**Why is Macnica a Pioneer?**

VISION & STRATEGY  
 —LIMITLESS GROWTH  
**Macnica's Medium- to Long-Term Strategy**

DISCIPLINE  
 —LIMITLESS RESILIENCE  
**Responding to Change**

## FACTS & FIGURES

### ▶ Financial Summary

### ▶ Non-Financial Summary

### ▶ Glossary

### ▶ Corporate Information

## View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

## Related Information

Macnica Holdings, Inc. IR Website

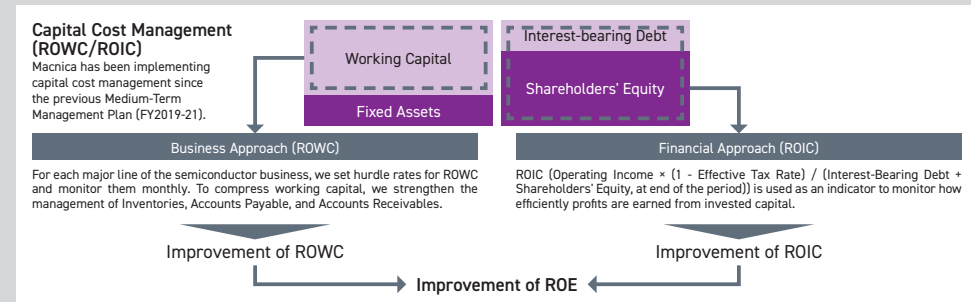
IR Library

Macnica, Inc. Website

Macnica's Business Model	
Technology Trading Company / High Value-Added Distribution Model (VAD)	In addition to regular agency tasks such as product sales to customers, credit management, and inventory management, it includes marketing activities, exploration and promotion of new markets, technical proposals, and technical support to add our unique value and promote sales.
Services & Solutions Model / Services & Solutions (SS)	In addition to our high value-added distribution model, we acquire Intelligence in areas such as expertise, capability, and co-creation partners to solve social challenges with our unique value through our own services and solutions.
CPS Solution (CPSS)	Cyber-Physical System Solutions is a collective term for products and services that collect various data in the real world (physical space) through sensor networks, analyze and digitize them using large-scale data processing techniques in cyberspace, and aim to vitalize industries and solve social issues with the information generated there fed back into the real world.
System Integrator / Sler	IT companies plan, build, and operate information systems for customers who own them. They comprehensively handle tasks from analyzing customer business in IT and extracting problems through consulting to planning and drafting systems, developing programs, selecting and introducing hardware and software, and maintaining and managing the completed system.
Global Franchise	Unlike agency agreements that are typically limited to specific countries or regions, a global franchise has agency agreements in multiple countries or regions.
Demand Creation	Creating new demand by identifying cutting-edge trends and products, using technical capabilities to uncover potential challenges and opportunities in the market and with customers, and then proposing solutions.
Ecosystem / Co-creation Partners	Co-creation partners refer to corporations and organizations that share a common goal of solving customer and social challenges and actively and continuously engage in activities. An ecosystem is a structure in which co-creation partners cooperate, leveraging each other's strengths and characteristics to complement each other's businesses and services.
Recurring	Recurring revenue refers to revenue generated from services provided to customers based on contracts, not on an intermittent basis but on an ongoing basis. This type of business model is referred to as a recurring business.
Semiconductor	
PLD (FPGA)	Programmable Logic Device is an IC that allows users to customize the internal logic circuits and can be rewritten multiple times. FPGA, or Field-Programmable Gate Array, is a type of PLD. Unlike regular IC chips, the circuit configuration of PLD can be changed by sending design information from the outside.
Network, System, and IT	
EDR / Endpoint Security	Endpoint refers to the "terminal," and in the context of IT, it refers to devices connected to a network, such as PCs, smartphones, and IoT devices. Endpoint security primarily focuses on the protection of client PCs that employees use. EDR stands for Endpoint Detection and Response and refers to the mechanism of real-time threat detection and automated response on endpoints.
Zero Trust	A security concept that ensures the security of information by verifying it before granting access without trusting all communications. Previously, the typical approach was "perimeter defense," which relied on trusting internal communications because it assumed that the information to be protected was inside the organization. However, with the proliferation of the cloud and changes in work styles, security risks that perimeter defense cannot address have increased, leading to the spread of the Zero Trust concept.
Digital Twin	A technology that acquires information from the real world and reproduces the same environment in cyberspace. By conducting simulations in cyberspace and providing feedback on the optimal methods to the real world, improving and evolving processes that previously required human intervention, such as factory production lines, is possible.

SCM	Supply Chain Management refers to the management method of the flow of products, data, and finances related to products and services, from the procurement of raw materials to the delivery to the end-users. It also encompasses the IT systems that support this management approach. It includes procurement, product lifecycle management, inventory planning, asset management, production line maintenance, logistics, order management, and more.
ERP	Enterprise Resource Planning refers to a central management approach overseeing core business functions such as finance, accounting, human resources, production, sales, and procurement. It involves efficiently allocating managerial resources to benefit overall business operations. Additionally, ERP also denotes the integrated IT systems used to manage such business data comprehensively.
RPA	Robotic Process Automation refers to the use of software to automate routine tasks typically performed by humans, and the IT systems that enable this automation. In recent years, the interest in business process efficiency and the improvement of solution convenience have led to its widespread adoption.
CRM	Customer Relationship Management is a method that involves managing all customer data centrally, including contact information, interactions with account representatives, purchase history, service requests, assets, quotes, and proposals, and using it to build customer relationships. It also refers to the IT systems that support this.
BI	Business Intelligence refers to the process of aggregating various data accumulated by a company, visualizing and analyzing it, and using it for decision-making and problem-solving. It also includes the IT systems that support these activities. At our company, we have adopted a self-service solution that allows BI software experts and business professionals to create the analysis dashboards they need.

Financial and Accounting	
DOE	Dividend on Equity Ratio indicates the extent to which we are distributing profits to our shareholders in relation to our equity. [Total Annual Dividend / Shareholders' Equity (Net Assets less Stock Acquisition Rights and Non-Controlling Interests, at end of the period)]
PBR	Price Book-value Ratio indicates how many times the stock price is compared to the book value per share. [Stock price / Book value per share, at end of the period]
PER	Price Earnings Ratio indicates how many times the stock price is compared to the earnings per share for the current period. [Stock price / Earnings per share for the current period]
Working Capital Turnover	This formula represents how much sales is generated by the working capital invested in a business. [Annual Sales / Working Capital (Accounts Receivable + Inventories - Accounts Payable, at end of the period)]
WACC	Weighted Average Cost of Capital is an indicator that shows how much cost a company incurs in raising funds. It calculates the costs of equity capital and debt capital, taking into account the proportion in which each source of funding is used, to arrive at a weighted average cost.
ROWC	Return on Working Capital indicates how much profit is generated from the working capital invested in the business. [ROWC = Operating Income x (1 - Effective Tax Rate) / (Accounts Receivable + Inventories - Accounts Payable, at end of the period)]



Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

- ▶ Financial Summary
- ▶ Non-Financial Summary
- ▶ Glossary
- ▶ Corporate Information

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
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- Macnica, Inc. Website

Company Overview (as of March 31, 2023)

**Company Name**  
MACNICA HOLDINGS, INC.

**Establishment**  
April 1, 2015, Wednesday

**Capital**  
¥14.0 billion

**Number of Consolidated Employees**  
4,203 people

**Head Office Address**  
1-6-3 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa, Japan

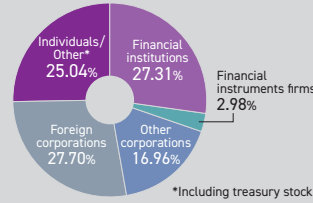
**Business Activities**  
Business management of a company that imports, exports, sells, etc., electronic components such as semiconductors and integrated circuits, and incidental or related operations

**Major Consolidated Subsidiaries**  
Macnica, Inc.  
MACNICA CYTECH LIMITED  
MACNICA CYTECH PTE. LTD.  
MACNICA GALAXY INC.  
ANSWER TECHNOLOGY CO., LTD.  
MACNICA CHUNGJU CO.,LTD  
MACNICA CYTECH (THAILAND) CO.  
NETPOLEON SOLUTIONS PTE LTD  
23 other companies

Stock Information (as of March 31, 2023)

**Listed Market** Tokyo Stock Exchange, Prime Market  
**Securities Code** 3132  
**Total Issuable Shares** 200,000,000 shares  
**Total Issued Shares** 60,857,382 shares (including Treasury Stock)  
**Number of Shareholders** 20,082

Shareholders by Ownership Ratio



Major Shareholders (Top 10)

Shareholder	Number of shares held (Thousands of shares)	Shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,712	14.39
Kamiyama Foundation (General incorporated foundation)	6,000	9.91
The Custody Bank of Japan, Ltd. (Trust Account)	4,771	7.88
Haruki Kamiyama	3,500	5.78
Seeds Technology, Inc.	3,500	5.78
Yuko Kamiyama	1,000	1.65
THE BANK OF NEW YORK – JASDECTREATY ACCOUNT (Standing proxy: Mizuho Bank, Ltd.)	990	1.64
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: Mizuho Bank, Ltd.)	933	1.54
GOVERNMENT OF NORWAY (Standing proxy: Citibank, N.A., Tokyo Branch)	849	1.40
STATE STREET BANK AND TRUST COMPANY 505103 (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	837	1.38

External Ratings and Inclusions in Indexes

Selected as a constituent stock of JPX Prime 150 Index and JPX-Nikkei Index 400

Macnica Holdings has been selected as a constituent stock of the JPX Prime 150 Index and JPX-Nikkei Index 400. We will continue to strive to enhance sustainable corporate value to meet investors' expectations.

The JPX Prime 150 Index comprises the top-ranked stocks by market capitalization listed on the TSE Prime Market, which are selected based on return on capital from financial performance and market valuation incorporating future and non-financial information. This index is "a representation of companies in our country where value creation is estimated." The JPX-Nikkei Index 400 is a stock price index composed of "companies that are highly attractive to investors," meeting the requirements of global investment standards, such as efficient use of capital and investor-oriented management perspectives.



Certified as a DX Certified Operator by the Ministry of Economy, Trade and Industry

Macnica Holdings was certified as a DX Certified Operator on May 1, 2023, based on the DX Certification System established by METI. The DX Certification System is a system through which the government certifies companies that align with the basic principles of the Digital Governance Code based on the Law Promoting Information Processing. It was launched in 2020 as a system for METI to certify businesses that have already established management visions, DX strategies, and organizations in preparation for promoting DX.



Received the "Excellence Award" at the 1st Career Ownership Management AWARD 2023

Macnica received the Excellent Award at the Career Ownership Management AWARD 2023. This recognition stems from our efforts to enhance and transform organizational activities towards realizing individual employee empowerment through assessment and the permeation and promotion of "delegating authority" through various training programs. These initiatives have led to the creation of a new corporate culture and atmosphere.



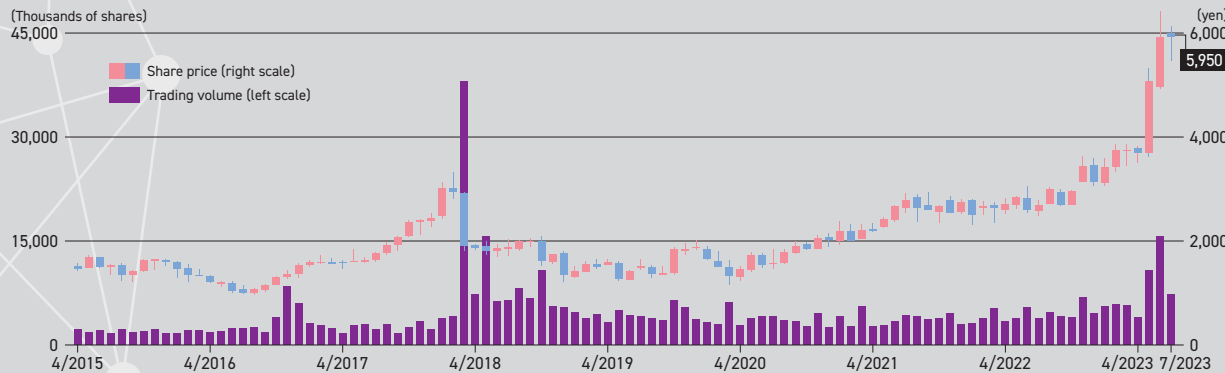
Collaboration with Society

Assent to the TCFD recommendations and participation in the TCFD Consortium

In June 2022, Macnica Group expressed support for TCFD (Task Force on Climate-related Financial Disclosure) and joined the TCFD Consortium, a forum for discussion among supporting companies and financial institutions.



Share Price and Trading Volume (as of July 31, 2023)



Introduction / Purpose

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—LIMITLESS PASSION  
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VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

- ▶ Financial Summary
- ▶ Non-Financial Summary
- ▶ Glossary
- ▶ Corporate Information

View by Keyword

Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website





Introduction / Purpose

CEO MESSAGE

MACNICA, THE FIRST PENGUIN  
—LIMITLESS PASSION  
Why is Macnica a Pioneer?

VISION & STRATEGY  
—LIMITLESS GROWTH  
Macnica's Medium- to Long-Term Strategy

DISCIPLINE  
—LIMITLESS RESILIENCE  
Responding to Change

FACTS & FIGURES

How does Macnica contribute to making the future envisioned by our customers a reality?  
With the intelligence to master the latest technology, knowledge cultivated through various experiences, and the determination and aspirations to achieve our vision—  
It is the Power of People that turns creative futures into reality.  
As pioneers driven by the spirit of challenge in this era of unpredictability, we fear no failure, embrace challenges sooner than anyone else, and possess the willpower and execution capability to see things through to the end.  
Looking ahead to the future, shaping the present. We are Macnica.

**We have a future we want to realize.**

**Purpose Concept Movie**

<https://www.macnica.co.jp/en/company/purpose/>

Introduction to Website Content

**Macnica Now and in the future**

Macnica's path to date and the future it aims for

<https://www.macnica.co.jp/en/company/aboutus/>

**Purpose-Driven Value Creation**

Our Purpose in an era of unpredictability

[https://www.macnica.co.jp/en/company/purpose\\_series1/](https://www.macnica.co.jp/en/company/purpose_series1/)

**Macnica's Technology**

Tips for creating the future from an exponential technology perspective.

<https://www.macnica.co.jp/en/aboutus/technology/ai/>

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Value Creation	Human Capital
Diversity & Inclusion	ESG
Shareholder Returns	Dialogue with Investors (Engagement)
Glossary	Table of Contents & Editorial Policy

Related Information

- Macnica Holdings, Inc. IR Website
- IR Library
- Macnica, Inc. Website

